



THE POLICE, FIRE AND CRIME COMMISSIONER FOR NORTH YORKSHIRE AND THE CHIEF CONSTABLE OF NORTH YORKSHIRE

Payroll

FINAL Internal Audit Report 4.22/23

21 November 2022

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1. EXECUTIVE SUMMARY

Why we completed this audit

We have undertaken a payroll review at the Police, Fire, and Crime Commissioner for North Yorkshire and the Chief Constable of North Yorkshire (NYP) to provide assurance that the organisation has an appropriate framework in place to ensure that all individuals working for the organisations are paid all monies due to them in a timely manner.

The payroll system used by NYP is the iTrent system, which is hosted by Midland HR and managed by the Payroll and Pensions team. Midland HR is an outsourced payroll services provider and processes the payroll on behalf of NYP, following internal checks and authorisations. At the time of our audit, the Payroll and Pensions team comprised of the Payroll and Pensions Manager, the Senior Payroll and Pensions Officer and two Payrolls and Pensions Officers. NYP have two monthly payrolls, one for the Police, Fire and Crime Commissioner and one for the Chief Constable employees which is processed on the 25th of each month. As part of this review, we also used our data analytics tools, IDEA and Alteryx, to scrutinise the organisations' payroll data. For the purposes of this audit, we reviewed the payroll processes and transactions undertaken within the last 12 months.

Conclusion

Our testing has confirmed that NYP has controls and processes in place to manage the payroll functions and generate pay runs in a timely manner. Our testing also demonstrated that the Payroll and Pensions team has established an efficient process to ensure new starters and leavers are input by one member of staff and checked by one other. However, our testing identified several weaknesses in controls which included the segregation of duties in the processes for actioning maternity and paternity leave amendments, documenting the review of the pre-payroll reports and discrepancies between core information on employment contracts and the information input onto the payroll system.

Our sample testing has led to **one high, seven medium** and **four low** priority management actions being agreed with management. The one high priority action related to our findings identified through data analytics, found records of duplicate National Insurance (NI) numbers. Our sample testing of these records identified cases where incorrect NI numbers for different employees had been recorded leading to the duplication of NI numbers.

Further details of these actions can be found under section two of this report. A summary of findings from our analytical work which we have discussed with management can be found in Appendix A of this report.

Internal audit opinion:

Taking account of the issues identified, the Police, Fire and Crime Commissioner for North Yorkshire and the Chief Constable of North Yorkshire can take **partial assurance** that the controls upon which the organisations rely to manage this area are suitably designed, consistently applied or effective.

Action is needed to strengthen the control framework to manage the identified area.



Key findings

We identified the following findings that have resulted in one high and seven medium priority management actions being agreed:



Testing 10 records where duplicate NI numbers had been recorded against different employees as identified through our data analytics, highlighted two records where the NI number was incorrectly recorded on the new starter form provided by the People Services team and therefore, this had been incorrectly input onto the payroll system. In two further cases, the NI number had been incorrectly input onto the payroll system in error. In the remaining cases the records had been identified as duplicate for reasons such as the employee changing their surname, the employee having more than one post and typing errors in how the employees name was recorded on the payroll system for two different posts. See Appendix A for full testing details. Where incorrect NI numbers are assigned to employee records, there is a risk that the incorrect employee details are used for payroll processing, which could lead to pay calculation errors. **(High)**



We identified that the Payroll and Pension Officers have their own handwritten notes on the processes for actioning amendments such as paternity leave, salary changes and sick pay. As such these processes for actioning amendments have not been formally and centrally documented or approved, which risks correct payroll processes not being followed. **(Medium)**



Review of a report generated from the payroll system detailed 257 individuals who have been provided with access to the payroll system. Our sample testing confirmed this report included users who have been made inactive on the payroll system. However, without removing records of inactive users from the system, there is a risk NYP are unable to effectively monitor the system to ensure all existing users have appropriate levels of access. **(Medium)**



Testing a sample of 20 new starters, confirmed the People Services team were unable to accurately locate any vacancy commissioning forms (VCF) which corresponded to the new starters in our sample. This was due to the VCF not being retained with new starter information or being referenced on the new starters file. Where VCF information is unavailable, there is a risk that new appointments may not have been approved in line with Force governance processes. **(Medium)**



Testing a sample of 20 new starters identified three cases where the salary on the payroll system did not reconcile to the employment contract. We found that the salary stated on the contract did not correctly correspond to the pay point scales which are used by the Payroll and Pensions team to record the salary on the payroll system. Where employee contracts do not contain accurate payroll information, there is a risk that employees have agreed incorrect terms or employees may be paid inaccurately. **(Medium)**



Testing a sample of five maternity and five paternity leave amendments confirmed that amendments are initially calculated and input by the Payroll and Pensions Manager. The amendment is then input by the Senior Payroll and Pensions Officer in subsequent months of maternity pay; however, this input is not checked by one other member of the team. Where clear segregation of duties does not exist within the Payroll and Pensions team, there is a risk that payroll amendments are inappropriately or incorrectly applied. In nine cases, the maternity or paternity pay amendment was reflected in the payslip in a timely manner. In the remaining one case the maternity pay was applied in April 2022; however, the maternity leave date was 24 March 2022. Where maternity leave pay is not applied timely there is a risk the member of staff does not receive the correct pay. **(Medium)**



We identified that the Payroll and Pensions team do not generate an exception report which highlights changes between the current pay run period against the previous pay run on a line-by-line basis. Where exception reports are not produced, there is a risk changes made in payroll processing are not identified and reviewed to ensure these are correct and justified prior to processing the pay run. **(Medium)**



Testing the pay runs processed in July, August and September 2022 highlighted that in August 2022 the reviewer of the Errors and Warnings Report, which is used to highlight any potential errors through validation checks, had not been documented. We also identified that the review of the Occupancy End Date Report is not documented. This report details any records on the payroll with a temporary amendment such as a temporary promotion and prompts the team to review records which have an occupancy end date in the pay run period to ensure this is correct or removed. Where reviews of payroll processing reports are not documented, there is a risk that reports have not been checked prior to processing, which could lead to incorrect payments. **(Medium)**

For details of the four low priority management actions agreed and one suggestion raised, please see section two of this report.

Our audit review identified that the following controls are suitably designed, consistently applied, and are operating effectively:



Testing a sample of 20 leavers confirmed in all cases either the leaver notification forms had been submitted online via the self-service portal or the paper format of the leaver form had been completed. In 16 cases the leaver form had been approved by the line manager. The final four cases did not have line manager approval as two resignations were received from a trade union, one leaver was on maternity leave and did not return to work or have a line manager assigned, and the final case was an employee who died in service. In all cases the leaver was processed by the Payroll and Pensions team in a timely manner as confirmed through the review of the leavers' final payslip.



Testing a sample of 20 leavers confirmed in all cases the Resource Management Unit (RMU) had calculated the remaining allowances and annual leave. This calculation was then provided to the Payroll and Pensions team to enable them to complete the final salary calculations.



Bank account details can only be changed by staff logging into the payroll self-service function. This automatically updates changes to bank account details on the payroll system and there is no further human intervention for actioning this type of amendment. For this reason, no further testing was undertaken in regard to changes to bank details.



Testing a sample of 10 salary changes confirmed in all cases the amendment had been actioned by one Payroll and Pensions Officer and checked by one other Payroll and Pensions Officer. In all cases the amendment reconciled to source documentation, had been appropriately authorised prior to the amendment being actioned and had been processed by the Payroll and Pensions team in a timely manner.



The Senior Payroll and Pensions Officer and Payroll and Pensions Officer confirmed that there have been two court orders received within the last 12 months. Testing these two cases confirmed that in both cases the deduction had been actioned in line with court order received, and these had been processed accurately on the payroll system. Our testing also confirmed that this deduction had been actioned in a timely manner by one member of the team and checked by one other.



Review of the pay run for both payrolls in July, August and September 2022 confirmed the payroll is reviewed by the Senior Payroll and Pensions Officer prior to the processing of payments and approved by either the Senior Accountant or Service Finance Manager; both of whom are on the Midland HR Authorised Signatories Form.



Testing the pay runs in July, August and September 2022 confirmed in all cases the payroll expenditure had been accurately reflected on the finance system. We also reviewed the Executive Board meeting minutes dated 25 February 2022, 26 July 2022 and 6 September 2022 to confirm a Budget Monitoring Report is reviewed for each entity. The Budget Monitoring Report records payroll spend against the budget.

2. DETAILED FINDINGS AND ACTIONS

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.

Area: Payroll				
Control	We performed a series of data analytics tests, using IDEA and Alteryx software, to identify potential errors or indicators of fraud within NYP's payroll information. The full results of our testing have been documented under Appendix A.	Assessment:		
		Design	✓	
		Compliance	×	
Findings / Implications	<p>Using the September 2022 employee report, 90 records of duplicate NI numbers were identified. However, we noted 14 of these records had the same NI numbers assigned to different surnames.</p> <p>We further tested 10 records where duplicate NI numbers had been recorded against different employees. Our discussions with the Payroll and Pensions Officer confirmed the following:</p> <ul style="list-style-type: none"> two records related to an employee who had changed their surname; two records related to the NI number being input onto the payroll system incorrectly by the Payroll and Pensions team. We obtained evidence from the payroll system to confirm the NI number has subsequently been corrected by the Payroll and Pensions Officer as a result of our finding; the NI number was duplicated on two records due to the details on the starter form received by the Payrolls and Pensions team from the People Services team being incorrect. As the NI number was incorrect on the starter form, this was incorrectly input onto the payroll system. We obtained evidence from the payroll system to confirm the NI number has subsequently been corrected by the Payroll and Pensions Officer as a result of our finding; duplication of NI numbers appeared on the two records due to the employees having two posts; and duplication of NI numbers appeared on the two remaining records due to typing errors in the surname field. <p>Where NI is duplicated and incorrect on the payroll system there is a risk of tax implications and incorrect information reported to HMRC.</p>			
Management Action 1	<p>The full analysis report from our data analytics where duplicate NI number were identified has been provided to management for review. Management will review this report to:</p> <ul style="list-style-type: none"> Investigate each finding; Document the outcomes of investigations; and 	Responsible Owner:	Date:	Priority:
		Payroll and Pensions Manager Senior Payroll and Pensions Officer	31 December 2022	High

- Where discrepancies are identified in relation to the NI number, action is taken (including, notifying HMRC where required).

Area: Payroll

Control	<p>NYP has in place process notes which govern the payroll function. The process notes detail the processes for new starters, leavers, and amendments.</p> <p>Process notes are reviewed on a periodic basis.</p>	Assessment: Design ✓ Compliance ×
Findings / Implications	<p>The Payroll and Pensions team has in place a New Starter Guide and Leavers process note which outlines the process for processing new starters and leavers. Both of these process notes include screenshots from the payroll system. The Payroll and Pensions team also has a process note on the payroll process which includes running the pre-pay run reports before the pay run is authorised and process notes to detail the process for inputting maternity pay into payroll.</p> <p>It was noted that the above process notes do not include version control. As a result, we were unable to confirm whether the process notes had been reviewed on a periodic basis. In the absence of version control, there is a risk that the Payroll and Pensions team is unable to monitor when these documents are due for review leading to process notes being outdated.</p> <p>Review of the Payroll and Pensions team shared drive confirmed the above process notes are available to the team.</p> <p>The Payroll and Pensions Officers have their own handwritten notes on the processes for actioning amendments such as paternity leave, salary changes and sick pay. However, the process has not been formally documented. As a result, there is a risk where the Payroll and Pensions team do not have central process notes on these amendments in place that incorrect procedures may be followed.</p>	
Management Action 2	<p>We will review the process notes in place to ensure these are up to date and identify gaps in documentation such as process notes on amendments actioned by the Payroll and Pensions team.</p> <p>Once these have been established, these processes will include version control, be periodically reviewed, and made available to relevant staff electronically.</p>	Responsible Owner: Payroll and Pensions Manager Date: 31 March 2023 Priority: Medium

Area: Payroll

Control	The access to the payroll system is managed by the Payroll and Pensions Manager and Senior Payroll and Pensions Officer to ensure that appropriate staff have access to the payroll system in line with their job role.	Assessment:
		Design ✓
		Compliance ×
Findings / Implications	<p>The Payroll and Pensions Manager and Senior Payroll and Pensions Officer have 'Head of Payroll', 'Manager' and 'System Administrator' access which is the highest level of authorisation. For business continuity reasons, two Senior Payroll and Pensions Officer at North Yorkshire Fire also have 'Head of Payroll' and 'Manager' access to the payroll system.</p> <p>The two Payroll and Pensions Officers have restricted access to the payroll system to input and submit payroll runs for approval. This is called 'Electronic Payroll Clerk' access.</p> <p>Members of the People Services team have 'Electronic HR' access to the payroll system. The Senior Payroll and Pensions Officer confirmed this access is restricted and enables the People Services team to make name changes, amend occupancy end dates for temporary changes, add bonus payments and standby allowance claims. Members of the Finance team have 'Accountant' access to the payroll system which enables read only access of payroll records.</p> <p>We noted that there is a risk that these amendments could be added by individuals in the People Services team for their own payroll accounts. However, discussions with the People Services Helpdesk Team Leader confirmed amendments are actioned by People Services following the receipt of an e-form which is approved by the line manager or Head of Function, where required. All e-forms are saved on the SharePoint portal and are actioned by one member of the People Services Helpdesk team and checked by one other member of the team to ensure only appropriate changes are made.</p> <p>This is documented on the e-form and review of the SharePoint system demonstrated this. The People Services Helpdesk Team Leader also highlighted that individuals in the team are instructed to not access their own payroll records on the system. Thus, individuals do not action any amendments which relate to them, and the segregation of duties present in the process prevents this.</p> <p>Review of a report generated from the payroll system, detailed 257 individuals who have been provided access to the payroll system, which excludes individuals with access to the self-service function.</p> <p>Our review highlighted that the report generated from the system included individuals with active and inactive access; however, the report did not specify this. Review of the payroll system exemplified individuals on the access report which were inactive however, included on the system generated report.</p> <p>Testing a sample of 10 users from the access report confirmed in seven cases the user was inactive. In the remaining three cases the users were active, and the access level provided was in line with the user's job title.</p> <p>The Senior Payroll and Pensions Officer confirmed that they have completed an exercise whereby they have manually reviewed the payroll access report and reviewed users on the payroll system to identify those who are active and inactive to ensure access to the system is appropriately restricted.</p>	

Where users are not removed from the payroll system leading to a large number of inactive users, there is a risk NYP are unable to effectively monitor the system to ensure users with access is appropriate.

Management Action 3	We will ensure the payroll system to ensure: <ul style="list-style-type: none">• individuals with active access have the appropriate level of access; and• inactive users are removed from the system.	Responsible Owner: Senior Payroll and Pensions Officer	Date: 31 December 2022	Priority: Medium
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Area: Payroll

<p>Control</p>	<p>Prior to commencing the recruitment process, the hiring manager is required to complete a VCF. The VCF is authorised by the Head of Function and the Talent and Development team is informed. The Talent and Development team do not advertise a vacancy until a VCF has been authorised.</p> <p>A starter form is completed by the Talent and Development team when a candidate has accepted a position at NYP. Once the Starter Form has been authorised by the Talent and Development team, the forms are sent to the Payroll and Pensions team along with the new starters contract of employment and bank details. The starter form must be approved by the Talent and Development team no earlier than the new starters first day of employment.</p>	<p>Assessment:</p> <p>Design ✓</p> <p>Compliance ×</p>
<p>Findings / Implications</p>	<p>Discussions with the Talent Acquisition Partner confirmed that approved VCFs are retained on the SharePoint system. A walkthrough of the SharePoint system with the Talent Acquisition Partner confirmed the VCF is saved, and this documents the requester and approver of the vacancy. However, the VCF is not saved in the respective new starters file thus, for our sample of 20 new starters, we were unable to confirm the VCF which corresponded to the new starters in our sample.</p> <p>The Talent Acquisition Partner confirmed that once a candidate accepts a conditional offer from NYP, the Recruitment team will inform the People Services team via email. Since October 2022, the Recruitment team document the VCF reference number within this email which enables the specific VCF to be identified.</p> <p>The Talent Acquisition Partner also highlighted that the People Services team have in place an application tracking system which enables the team to store new starter information along with the application documentation including the VCF. However, the team are yet to receive training on how to do this.</p> <p>Where a VCF cannot be located for a new starter, there is risk of a reduced audit trail evidencing whether the vacancy was authorised prior to commencing with the recruitment process.</p> <p>Testing a sample of 20 new starters with a start date between 1 October 2021 to 1 October 2022, confirmed in 19 cases the starter form had been approved by the People Services team no earlier than the first start date. In the remaining case, the starter form had been approved eight working days prior to the start date. It was noted that the starter form had been saved on the network by the People Services team and was last modified on 31 January 2022. The Payroll and Pensions Officer confirmed that the last modified date implies that the form was reviewed on the new starters start date which was 31 January 2022. We extended our sample of new starters by 10 to confirm whether this exception was an isolated error. Our testing confirmed in all 10 cases the starter form had been approved by the People Services team no earlier than the first start date. We have therefore not agreed a management action.</p>	
<p>Management Action 4</p>	<p>We will ensure VCFs are retained with the new starter files via the application tracking system or there is a process in place which enables NYP to locate the VCF for each new starter.</p>	<p>Responsible Owner: Talent Acquisition Partner</p> <p>Date: 30 April 2023</p> <p>Priority: Medium</p>

Area: Payroll

Control	New starters are added to the payroll system once the Payroll and Pensions team receives the starter form approved by the People Services team. The starter form is approved by the People Services team once the new starter has begun employment. The Payroll and Pensions Officer adds the new starter onto the payroll system, and this is then checked by one other Payroll and Pensions Officer to ensure data input reconciles to contractual documentation.	Assessment: Design ✓ Compliance ×
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Findings / Implications	<p>Our testing of 20 new starters with a start date between 1 October 2021 to 1 October 2022 confirmed the following:</p> <ul style="list-style-type: none">• in all cases the bank details recorded on the payroll system reconciled to source documentation; and• in all cases the new starter was paid in the pay period in line with the start date (confirmed through the review of the first payslip). <p>Our testing also confirmed in 19 cases that the new starter had been input onto the payroll system by one Payroll and Pensions Officer and checked by one other Payroll and Pensions Officer. In the remaining case, the check had not been documented in error. We therefore extended our sample by 10 to confirm whether this exception was an isolated error. Our testing of this extended sample identified no further exceptions and therefore no management action was raised in relation to this.</p> <p>Our review of 20 new starters highlighted 17 cases where the salary recorded on the payroll system reconciled to the employment contract. However, in the remaining three cases the salary on the payroll system did not reconcile to the employment contract. On average across these three cases, the salary was £750 higher on the payroll system than the salary stated on the employment contract. Discussions with the Payroll and Pensions Officer confirmed that the contract records the salary and the pay point scale. In these three cases, we confirmed that the salary stated on the contract did not correctly correspond to the pay point scales which are used by the Payroll and Pensions team to record the salary on the payroll system. However, we confirmed these employees were assigned the correct salary.</p> <p>Where the salary stated on the contract does not reconcile to the salary recorded on the payroll system, there is a risk that salaries are incorrectly input onto the payroll system and staff are incorrectly paid. There is also a risk that staff sign a contract of employment which details the incorrect salary.</p>
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Management Action 5	<p>The Payroll and Pensions team will ensure that the salary recorded on the payroll system reconciles to the salary and pay point scale stated on the employment contract.</p> <p>Where this does not reconcile, the Payroll and Pensions team will query this with the People Services team to ensure the salary details added to the payroll system are accurate and reconcile to contractual documentation.</p> <p>Where discrepancies are identified in relation to the salary and pay point scale stated on the employment contract, the People Services team will issue the employee with a revised version of the contract.</p>	<p>Responsible Owner: Senior Payroll and Pensions Officer</p> <p>Payroll and Pensions Officers Talent Acquisition Partner Talent Acquisition Lead</p>	<p>Date: 25 October 2022</p>	<p>Priority: Medium</p>
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Area: Payroll

Control	Maternity leave is processed manually by the Payroll and Pensions Manager following a receipt of a MatB1 form and approved by the relevant line manager.	Assessment:	
	Paternity leave is processed manually by the Payroll and Pensions Manager following a receipt of a MatB1 form and statutory paternity pay form approved by the relevant line manager.		Design ✓
	The Payroll and Pensions Manager maintains a record of staff on maternity and paternity leave on a spreadsheet. Maternity and paternity are calculated by the Payroll and Pensions Manager. The initial maternity and paternity leave payment is inputted onto the payroll system by the Payroll and Pensions Manger. The Senior Payroll and Pensions Officer will action the amendments for maternity and paternity leave in the subsequent months as per the Payroll and Pensions Manager’s calculations.		Compliance ×

Findings / Implications	Testing a sample of five staff on maternity and five staff on paternity leave confirmed the following:
	<ul style="list-style-type: none"> in all cases the request for leave had been approved by the relevant line manager and supporting documentation such as MatB1 and statutory paternity pay forms (for paternity leave) had been provided; for the five maternity leave cases we obtained evidence to confirm the Payroll and Pensions Manager had used the Government website to calculate the statutory maternity pay (SMP). The Payroll and Pensions Manager had calculated the occupation maternity pay (OMP) manually. Both of these calculations were recorded on an excel spreadsheet. The spreadsheet records the initial SMP and OMP to be paid when leave starts and the pay due for the subsequent months of leave. Similarly for those on paternity leave, SMP due had been recorded on the spreadsheet; in all cases the maternity and paternity leave start date reconciled to source documentation; and in nine cases, the OMP and SMP recorded on the spreadsheet was reflected in the payslip in a timely manner. In the remaining one case the maternity pay was applied in April 2022; however, the maternity leave date was 24 March 2022. The Payroll and Pensions Manager confirmed that the amendment was not applied in March 2022 in error. Where maternity leave pay is not applied timely there is a risk the member of staff does not receive the correct pay. <p>Our testing identified that the amendments in relation to maternity and paternity pay are calculated and input by the Payroll and Pensions Manager and then these are input by the Senior Payroll and Pensions Officer in subsequent months. However, this input is not checked by one other. In the absence of segregation of duties, there is a risk that amendments made on the payroll system in relation to maternity and paternity pay are not reviewed independently to ensure calculations and input is correct.</p>

Management Action 6	We will ensure amendments made for maternity and paternity leave are input by one member of the Payroll and Pensions team and checked by one other.	Responsible Owner: Payroll and Pensions Manager	Date: 1 November 2022	Priority: Medium
	This will be documented and completed in a timely manner (in the month when leave starts).			

Area: Payroll

Control	<p>Prior to running the payroll, three reports are generated: the cost code report, the errors and warning reports and the occupancy end date report. These reports are run and checked by the Senior Payroll and Pensions Officer. Any issues and queries are investigated by the Payroll and Pensions Officers.</p> <p><u>Missing control</u></p> <p>NYP do not generate and review an exception report prior to processing the payroll.</p> <p>Once payroll is run, the Senior Payroll and Pensions Officer generates the net pay report and filters this to individuals who were paid £3,000 and above. This is reviewed and cases are investigated by the Payroll and Pensions Officer.</p>	Assessment: Design × Compliance -
Findings / Implications	<p>The Senior Payroll and Pensions Officer confirmed the team currently do not generate an exceptions report which highlights changes between the current pay run period against the previous pay run on a line-by-line basis. There is a risk where exception reports are not produced that changes are not reviewed to ensure these are correct and justified prior to processing the pay run.</p> <p>The Senior Payroll and Pensions team did highlight that once payroll has been processed, they review the net pay report and filter this to identify individuals paid £3,000 and above. These are reviewed by the Payroll and Pensions Officers and reasons for why the individual was paid £3,000 and above is documented. Testing July, August and September 2022 confirmed this.</p> <p>Discussions with the Senior Payroll and Pensions Officer confirmed NYP has two payrolls; one for the Chief Constable and one for the Police, Fire and Crime Commissioner.</p> <p>Testing the pay runs processed in July, August and September 2022 confirmed the following:</p> <ul style="list-style-type: none">• in all cases the cost code report had been generated from the system. The Senior Payroll and Pensions Officer confirmed they generate this report, and they review this.• in all cases the errors and warning report was generated by the Senior Payroll and Pensions Officer. In July and September 2022 the error and warning report was reviewed by the Payroll and Pensions Officer who documented the reasons for the errors. In August 2022 the reasons for the errors had been documented; however, the reviewer had not recorded their initials on the report. Thus, we were unable to confirm who completed this review. <p>In all cases the Senior Payroll and Pensions Officer generated the occupancy end date report. In August 2022 there were no cases requiring further review by the Payroll and Pensions Officer. In July and September 2022, the Senior Payroll and Pensions Officer confirmed the Payroll and Pensions Officer will have reviewed the cases where an occupancy end date was in that pay run period; however, this review has not been documented. Where the reviewer has not documented their initials there is a risk of a reduced audit trail regarding whether these reports are reviewed, and issues investigated.</p>	

Management Action 7	We will investigate the production of exceptions report to highlight variances between current payroll to previous months. This exception report will be prepared and reviewed by one other prior to payroll processing.	Responsible Owner: Payroll and Pensions Manager Senior Payroll and Pensions Officer	Date: 31 March 2023	Priority: Medium
Management Action 8	NYP will record the reviewer of the errors and warnings report and the occupancy end date report.	Responsible Owner: Senior Payroll and Pensions Officer	Date: 30 November 2022	Priority: Medium

Area: Payroll

Control	NYP has in place process notes which govern the payroll function. The process notes detail the process for processing new starters, leavers, and amendments. Process notes are reviewed on a periodic basis.	Assessment: Design ✓ Compliance ×		
Findings / Implications	<p>The Payroll and Pensions team has in place a New Starter Guide and Leavers process note which outlines the process for processing new starters and leavers. Both process notes also include screenshots from the payroll system.</p> <p>The Payroll and Pensions team also has a process note on the payroll process which includes running the pre-pay run reports before the pay run is authorised.</p> <p>The Payroll and Pensions team also has in place process notes to detail the process for inputting maternity pay into payroll. We noted that the above process notes do not include version control. As a result, we were unable to confirm whether the process notes have been reviewed on a periodic basis. In the absence of version control, there is a risk the Payroll and Pensions team are unable to monitor when these documents are due for review leading to process notes being outdated.</p> <p>Review of the Payroll and Pensions team shared drive confirmed the above process notes are available to the team.</p>			
Management Action 9	We will ensure version control is added to the new starter, payroll, leavers, and maternity leave process note to record the last review and next review due date.	Responsible Owner: Payroll and Pensions Manager	Date: 31 March 2023	Priority: Low

Area: Payroll

<p>Control</p>	<p>Outstanding payments are identified by the Payroll and Pensions team when leavers are processed, and final pay is calculated. This includes outstanding payments related to annual leave allowances and training fees.</p> <p>Where the last salary to be paid to the leaver is less than the monies owed to NYP an overpayment is identified.</p> <p>The Payroll and Pensions team raise an invoice to reclaim the outstanding monies owed and the Accounts team generate an invoice to request the leaver to repay NYP within 30 days. The invoice is sent to the leaver by the Payroll and Pensions team.</p>	<p>Assessment:</p> <p>Design ✓</p> <p>Compliance ×</p>	
<p>Findings / Implications</p>	<p>The Payroll and Pensions team maintain a spreadsheet of leavers with outstanding payments due to be paid to NYP. Testing a sample of 10 leavers who owe or owed monies to NYP confirmed the following:</p> <ul style="list-style-type: none"> • in all cases an invoice to reclaim the outstanding monies had been generated by the Accounts team and then sent to the leaver by the Payroll and Pensions team. The invoice instructs the leaver to pay the outstanding monies within 30 days of the invoice date; and • in six cases the monies had been repaid by the leaver and in one case the leaver was paying monies back in instalments. In one case, the monies were not yet due to be paid and thus, this had not yet been chased by the Accounts team. In the remaining two cases, the outstanding monies were due to be paid back on 29 July 2022 and 24 September 2022. <p>The Accountant advised that outstanding payments are reviewed and overdue payments due are chased when the team have capacity to undertake this task. We noted that this task had been recorded on the Accountant's to-do list and the Accountant had begun actioning during the week of our fieldwork. We noted that outstanding monies that are owed to NYP are considered for bad debt write off when payments are over 180 days due and deemed irrecoverable. Where leavers are not chased in a timely manner to recover outstanding monies there is a higher risk that these monies will not be reclaimed.</p>		
<p>Management Action 10</p>	<p>NYP will ensure outstanding monies owed by leavers are chased by the Accounts Team on a regular basis where monies have not been reclaimed within 30 days of the invoice date.</p>	<p>Responsible Owner: Accountant</p>	<p>Date: 31 December 2022</p> <p>Priority: Low</p>

Area: Payroll

Control	<p>The Senior Payroll and Pensions Officer runs a sickness report from the Origin system which highlights staff who are on sick leave which is shared with the People Services team.</p> <p>The People Services team confirm the sick pay entitlement for each member of staff on sick leave such as where full pay, half pay, or no pay is due.</p> <p>This is confirmed on the Sick Case Conference report. Sick pay is then actioned on the payroll system by the Senior Payroll and Pensions Officer and checked by the Payroll and Pensions Officer.</p>	Assessment:	
		Design	✓
		Compliance	×

Findings / Implications	Testing a sample of 10 members of staff in receipt of statutory sick pay confirmed the following:		
	<ul style="list-style-type: none"> in all cases the member of staff had been recorded on the Sick Pay Conference report with the action to be taken such as for statutory sick pay to commence; in nine cases, we obtained email evidence from the People Services team to confirm whether the member of staff should be paid statutory sick pay. In the remaining cases email evidence was located to confirm the report had been reviewed by the People Services team; however, the response did not confirm whether the member of staff should be paid statutory sick pay. Where confirmation from the People Services team is not retained there is a risk of reduced traceability whether this amendment had been approved prior to actioning; and in eight cases the amendment had been applied by the Senior Payroll and Pensions Officer and checked by the Payroll and Pensions Officer. In the remaining two cases, the amendment had been actioned in July 2022 however, there was no email evidence to confirm who had actioned and checked this amendment. The Senior Payroll and Pensions Officer highlighted that this will have been because they actioned amendments and the Payroll and Pensions Officer will have verbally confirmed the check completed whilst working in the office. <p>Where this is not documented, there is a risk of reduced traceability in regard to whether the amendment had been actioned by the Senior Payroll and Pensions Officer and checked by the Payroll and Pensions Officer.</p>		

Management Action 11	<p>The Payroll and Pensions team will ensure confirmation from the People Services team to commence with statutory sick pay is retained on file.</p> <p>The importance of agreeing the actions to be taken for each individual on the Sick Pay Conference report will be reiterated to the People Services team.</p> <p>The Payroll and Pensions team will ensure the members of staff actioning the amendment and checking this is documented.</p>	Responsible Owner:	Date:	Priority:
		Senior Payroll and Pensions Officer	30 November 2022	Low

Area: Payroll

Control	<p>Voluntary deductions such as childcare vouchers, trade union membership and cark parking schemes are deducted from the individual's pay each month.</p> <p>Other voluntary deductions such as those related to health and saving schemes, and insurance are managed by the Northumbria Police Federation. On a monthly basis the Northumbria Police Federation provide the Payroll and Pensions Manager with a list of deductions to be applied to the payroll.</p> <p>Following instruction form the employee or from the Northumbria Police Federation where applicable, amendments are actioned by one member of the Payroll and Pensions team and checked by one other member of the team.</p>	Assessment: Design ✓ Compliance ×
Findings / Implications	<p>Discussions with the Senior Payroll and Pensions Officer confirmed for voluntary deductions in relation to childcare vouchers are applied each month. The Senior Payroll and Pensions Officer receives a schedule from Sodexo where employees have opted into this scheme directly. Our sample of 15 voluntary deductions selected from a system generated report included three deductions relating to childcare vouchers. In these three cases, we confirmed the employee had opted into the scheme as this was confirmed on the schedule provided by Sodexo. We confirmed the deduction had been applied in the first payslip following the employee's initial election for this scheme and in the October 2022 payslip as per the amount stated on the schedule.</p> <p>However, our testing highlighted that this voluntary deduction is actioned by the Senior Payroll and Pensions Officer each month and it is not checked by one other member of the Payroll and Pensions team. In the absence of this check there is a risk this voluntary amendment is not accurately applied.</p> <p>Our testing of the remaining 12 voluntary deductions identified the following:</p> <ul style="list-style-type: none">• in all cases the voluntary deduction had been actioned by the Payroll and Pensions Officer and checked by one other Payroll and Pensions Officer;• in all cases the voluntary deduction had been applied in a timely manner as confirmed through the review of payslips; and• in 11 cases the deduction corresponded to instructions received either directly from the employee, the Northumbria Police Federation or from the third party managing the scheme on behalf of the employee. In the remaining one case we identified that the form to opt into the trade union membership had been completed by the employee; however, the pensionable pay indicated on the form was incorrect. The form indicates £9.70 would be deducted per month; however, the Payroll and Pensions Officer confirmed that the pensionable pay was higher than indicated on the form and thus, the deduction was £17.25. As a result, the corrected deduction of £17.25 is applied to the employee's payslip. <p>We noted that the risk here is minimal to NYP; however, there is a risk to the employee that they are opting into a payment which they are unaware of. As the risk to NYP is minimal we have raised a suggestion as opposed to a management action.</p>	

Management Action 12	We will ensure voluntary deduction in relation to childcare vouchers are actioned by one member of the Payroll and Pensions team and checked by one other. This will be documented to confirm a segregation of duties.	Responsible Owner: Senior Payroll and Pensions Officer	Date: 30 November 2022	Priority: Low
Suggestion 1	Where employees are opting to become Unison members but have indicated the incorrect pensionable pay on the election form which will lead to a higher monthly deduction, we would suggest the Payroll and Pensions team inform employees of the higher deduction amount. Alternatively, NYP may consider adding a disclaimer on the election form to inform Unison members that the Payroll and Pensions team can make corrections where information is incorrect leading to higher monthly deduction.	Responsible Owner: Payroll and Pensions Manager	Date: N/A	Priority: N/A

APPENDIX A: DATA ANALYTICS

The following is a summary of findings from our analytical work which we have discussed with management.

Analytics Findings:

The following is a summary of findings from our data analytics work which we have discussed with management. This has involved us sharing the data analytics spread sheets which detail the findings for further consideration and checking.

For the purpose of our findings, we have used a 'pause' and 'tick' approach to highlight at a glance which areas require further investigation following our findings (ie a 'pause').



Area: Duplicate Employees

Criteria:	Identify duplicate employees by bank account details and pin number.
Source Data/Reports:	Employee List
Period Covered:	As at 30 September 2022
Testing Undertaken:	<p>We summarised the employee report provided by employee name, bank details and employee reference, as some employees are added to the payroll system twice due to having more than one role which we understand is in line with NYP processes.</p> <p>Using the summarised report, we analysed the report for duplicate bank account details to identify any potential duplicate details.</p> <p>Using the employee report provided, we analysed the report for any duplicates by employee pin number.</p>
Issues identified:	<p>Our testing identified 265 records with duplicate bank account details.</p> <p>Our testing identified two records with pin numbers duplicated.</p>
Overall Conclusion:	<p>Testing 15 of the 265 records with duplicate bank account details confirmed the duplication was caused either due to employees sharing a joint bank account, a change in employee name or change in the employee job role. No further issues were noted.</p> <p>Discussions with the Payroll and Pensions Officer confirmed the two records with duplicate pin numbers is in line with NYP process as the employee has two part-time staff posts thus, will have a pin number for each post.</p>



Area: Duplicate payments have not been made to employees

Criteria:	Identify duplicate payments made to employees by bank account details.
Source Data/Reports:	BACS reports
Period Covered:	August, September, and October 2022
Testing Undertaken:	For August, September, and October 2022 BACS Reports for both the Chief Constable and Commissioner employees, we looked to identify duplicate bank account details on the BACS Reports.
Issues identified:	<p>Analysing each BACS reports for duplicate bank account details identified:</p> <ul style="list-style-type: none">• 82 duplicate records for August 2022;• 78 duplicate records for September 2022; and• 80 duplicate records for October 2022.
Overall Conclusion:	<p>We tested five records with duplicate bank account details. Discussions with the Payroll and Pensions Officer confirmed in all cases employees shared a joint bank account and therefore, bank account details are duplicated.</p> 

Area: Ghost employees are not present on the payroll system, including a review of National Insurance (NI) numbers

Criteria:	Test the validity of NI number structure and identify any duplicate employee records by NI numbers.
Source Data/Reports:	Employee List
Period Covered:	As at 30 September 2022
Testing Undertaken:	<p>We ran a formula to determine whether NI numbers are structured in line with expected configurations to confirm whether these are valid.</p> <p>Analysis the employee list provided for any duplicate NI numbers for different employees.</p>

Area: Ghost employees are not present on the payroll system, including a review of National Insurance (NI) numbers

Issues identified: No issues were identified from testing the validity of NI number configuration.

We analysed the employee report for duplicate NI numbers which produced 90 duplicate records; however, most of these records looked to pertain to duplicate employee records due to employees having more than one role, as mentioned above. We therefore summarised the duplicate report by employee name to identify any duplicate NI numbers recorded against different employees. From this summarisation, we identified 14 duplicate NI numbers which pertained to different employee names. Six of these records looked to be 'typos' in the surname field rather than different employees.

Overall Conclusion: We selected 10 records where duplicate NI numbers had been recorded against different employees. Our discussions with the Payroll and Pensions Officer confirmed the following:

- two records related to an employee who had changed their surname;
- two records related to the NI number being inputted onto the payroll system incorrectly by the Payroll and Pensions team. We obtained evidence from the payroll system to confirm the NI number has subsequently been corrected by the Payroll and Pensions Officer;
- the NI was duplicated on two records due to the starter form received by the Payrolls and Pensions team from the People Services team being incorrect. As the NI number was incorrect on the starter form, this was incorrectly input onto the payroll system. We obtained evidence from the payroll system to confirm the NI number has subsequently been corrected by the Payroll and Pensions Officer;
- duplication of NI numbers appeared on the two records due to employee having two posts; and
- duplication of NI numbers appeared on the two remaining records due to typos' in the surname field

Where NI is duplicated and incorrect on the payroll system there is a risk of tax implications and incorrect information reported to HMRC.



As a result, we have raised a management action in relation to this. Please see section two of this report.

Area: Analysis of large employee payments

Criteria: Compare monthly BACS payments to each employee to identify any large increases exceeding over 15%.

Source Data/Reports: BACS Reports

Period Covered: August, September, and October 2022

Area: Analysis of large employee payments

Testing Undertaken: We compared the August, September, and October 2022 reports and analysed monthly BACS payments issued to employees between each month.

Reports provided do not allow for analysis of monthly base salary payments, only total BACS payments paid.

Issues identified: Any increases over 15% have been identified.

Overall Conclusion: Testing five instances where increases over 15% have been identified, confirmed in all cases the cause had been known by the Payroll and Pensions team. Causes in the increase in pay included overtime payments, pay awards and temporary promotions.



APPENDIX B: CATEGORISATION OF 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.

The following table highlights the number and categories of management actions made as a result of this audit.

Area	Control design not effective*		Non Compliance with controls*		Agreed management actions		
	Low	Medium	High	Low	Medium	High	
Payroll	1	(20)	11	(20)	4	7	1
Total	4	7	1				

* 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.

APPENDIX C: SCOPE

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

Objective and risk relevant to the scope of the review

The internal audit assignment has been scoped to provide assurance on how the Police, Fire and Crime Commissioner for North Yorkshire and the Chief Constable of North Yorkshire manages the following area:

Objective of the area under review

The organisations have an appropriate framework in place to ensure that all individuals working for the organisations are paid all monies due to them in a timely manner.

Scope of the review

Our review will focus on the following areas:

- Policies and procedures are in place to govern the payroll function (including new starters, leavers, and amendments) and are subject to periodic review.
- Access to the payroll system is appropriately restricted, including a clear segregation of duties between HR, payroll, and finance functions.

New starters

- Vacancy authorisation and new starter forms are completed and approved prior to adding new starters to the payroll system.
- New starters are accurately added to the payroll system in a timely manner, and core information (including salary and bank account details) reconciles to contractual documentation.

Leavers

- Leaver forms are completed, authorised, and processed in a timely manner.
- Final salary calculations are completed to ensure leavers are paid all entitlements owed, including holiday pay, and pro-rata calculations accurately reflect the last working day.
- Consideration of the process for retrieving any outstanding monies owed to the organisations from leavers, e.g. training fees.

Amendments

- Amendments to the payroll (including salary changes, sick pay, maternity / paternity leave, and changes to bank account details), are processed in a timely manner, accurately calculated, and reconcile to source documentation.
- Payroll amendments are appropriately authorised prior to processing.

Deductions (voluntary / involuntary)

- Voluntary deductions are accurately processed and clear instruction from employees is retained on file to support the deduction.
- Involuntary deductions reconcile to source documentation and are accurately processed.

Payroll processing

- Exception reports are prepared and reviewed independently prior to payroll processing.
- An independent review of the payroll is undertaken prior to the processing of payments and approved by an authorised signatory.
- Payroll expenditure is accurately reflected within the finance system and there is adequate budget monitoring in place of payroll spend.

IDEA:

We will use our data analytics tool, IDEA, to scrutinise the organisations' payroll data and in particular focus on the following areas for further explanation / testing:

- Duplicate employees.
- Duplicate payments have not been made to employees.
- Ghost employees are not present in the payroll system, including review of the validity of National Insurance Numbers (NINOs).
- Identify any large increases in basic salary payments between months.
- Identify any large increases in BACS payments between months (i.e. net pay following all deductions).

The following limitations apply to the scope of our work:

- The scope of the work will be limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review.
- All tests run using the IDEA software package will be dependent on the quality of reports extracted from the payroll system.
- The areas of consideration documented above are only able to be completed if the appropriate data / information is able to be provided.
- We will not consider overtime or expense payments made.
- We will not consider the appropriateness of payments made to staff, only that these are the correct amounts due to them.
- The audit will not include an evaluation of PAYE or NI deducted.
- We will not provide assurance that payments have been made into the correct employee's bank account.
- Our work does not provide any guarantee against material errors, loss or fraud, or provide an absolute assurance that material error, loss or fraud does not exist.

Debrief held 25 October 2022
Draft report issued 1 November 2022
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Final report issued 21 November 2022

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of **The Police, Fire and Crime Commissioner for North Yorkshire and the Chief Constable of North Yorkshire**, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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