



YORK AND NORTH YORKSHIRE COMBINED AUTHORITY - POLICE

Key Financial Controls - Payroll

FINAL Internal Audit Report: 5.25/26

9 March 2026

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AUDIT OUTCOME OVERVIEW

Background

As part of the 2025/26 Internal Audit Plan, we have undertaken a review to assess the design and operating effectiveness of North Yorkshire Police's core financial systems and controls relating to payroll. The objective of the review was to determine whether payroll processes are adequately controlled, payments are accurate and authorised, and key risks are appropriately mitigated.

Our review encompassed the end to end payroll process and focused on a range of key control areas, including documented process notes, system user access rights, exception and management reporting, independent review of payroll outputs, reconciliations between payroll and the general ledger, and controls over the processing of new starters and leavers. Through discussion with the Senior Payroll and Pensions Officer, we were informed that the Force does not currently have the capacity or system functionality to produce a report identifying amendments made to payroll standing data. As a result, no central record or audit trail of such changes is available for review. Consequently, we were unable to test whether amendments to payroll standing data are appropriately authorised, accurate, and processed in a timely manner, and therefore could not obtain assurance over the effectiveness of controls in this area.

The Midland HR acts as the payroll service provider for the Force, with responsibility for processing payroll in accordance with information provided by the Force. Accordingly, our review has focused on the controls operated by North Yorkshire Police to support, authorise, and oversee the payroll process.

Conclusion: Our audit concluded that the Force has well designed and generally effective key financial controls in place over payroll. However, we identified a small number of areas where control effectiveness could be further strengthened. Specifically, the new starter and leaver guidance was last reviewed in February 2023, despite the Force's stated intention to review these procedures at least every two years. As a result of our review, one low priority management action has been agreed to address these findings. While only one low priority action has been agreed as part of this report, we identified two further areas where there is current risk exposure, around amendments and exception reporting. At this stage, we were advised that there is no appetite by management to implement further controls due to resource constraints and prioritisation of other risk areas. However, these still represent areas of risk that have impacted on our assurance opinion.

Internal audit opinion



Minimal Assurance



Partial Assurance



Reasonable Assurance



Substantial Assurance

Taking account of the issues identified, the board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

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

Audit themes: **Our review identified the following issues resulting in the agreement of one low priority management action, and two further areas of weakness where management have agreed to accept the risk:**

Policies and Procedures

We reviewed the new starter and leaver guidance notes and confirmed that clear, step by step procedures are in place for both processes. The documentation outlines all key stages, required forms, validation checks, system entries, and post processing tasks. We noted that the guidance was last reviewed in February 2023 by the Senior Payroll and Pensions Officer. Although the Force aims to review these procedures at least every two years, competing priorities and resource constraints have delayed the latest review.

Out of date process notes increase the risk of inconsistencies, procedural errors, and potential compliance issues. **Low**

Exception reporting

Monthly audits are completed by the People Services Help Desk to identify exceptions prior to the payroll being run. We evidenced this control operating, however we noted there was insufficient segregation of duties in preparation and review of the exception reports. Standard practice across our client base is for the report to be prepared by one individual and independently reviewed by another, as this provides segregation of duties and strengthens assurance over the accuracy and completeness of the data.

However, we were advised that competing priorities and current resource constraints have limited the team's ability to implement this consistently.

Amendments

The Force does not currently have the system functionality or capacity to produce a report of amendments to payroll standing data. As a result, no central record or audit trail exists, and we were unable to confirm whether changes are authorised, accurate, or timely.

This increases the risk of undetected unauthorised or incorrect amendments, leading to potential payroll errors, financial loss, or fraud. Management acknowledges and accepts this risk due to current capacity and system limitations, with plans to review the position if functionality or resourcing improves.

We found the following control areas to be adequately designed and operating effectively:

Starters

We selected 10 new starters (five Police Officers and five Police Staff) who joined since 1 April 2025 and completed a walkthrough of the iTrent system with the Payroll and Pensions Officer. In all cases, a New Employee Appointment Form was completed and signed by People Services prior to their start date.

We also confirmed a separate new starter form signed by each individual prior to their start date was confirmed in all instances. Employment contracts (Police Staff) and offer letters (Police Officers) were obtained and confirmed to align with start dates and salaries. First payslips were also reviewed to confirm that all individuals were paid at the earliest opportunity.

Staffing Lists

For May, September, and November 2025, we confirmed that the People Services Help Desk performed a monthly reconciliation of payroll to staffing lists prior to payroll processing. Discrepancies were documented on an exception list, and all entries included clear explanatory comments.

User access rights and controls

The Force's payroll is administered by an external provider, Midland HR, using the iTrent system. As part of the audit, user access reports were obtained and reviewed for key payroll related roles, including Pay Clerk, Payroll Team, People Services Helpdesk, Accountant, and Midland HR. The review provided assurance that access restrictions are in place for these roles.

Exception reporting

We obtained the pre process net pay check reports for May, September, and November 2025 to confirm that the Force completes a pre-process net pay check each month, reviewing the 50 highest and 50 lowest percentage variances in net pay, with all variances investigated, explained, and independently signed off. We also confirmed that errors and warnings reports are reviewed monthly, and controls such as system alerts for duplicate bank details and senior pay checks are performed prior to payroll run. Additionally, net pays over £3,500 are investigated to confirm the accuracy of high-value payments.

Independent review of the payroll

We obtained the payroll checklist for May, September and November 2025. Through review, we confirmed all required steps on the checklist had been completed and signed off by the Senior Payroll and Pensions Officer. For May, September, and November 2025, we confirmed that all required approval emails were in place, including notifications to Midland HR, receipt of final reports, payroll authorisation requests to Finance, and Finance's approval. We also verified against the processing schedules that all communications were completed before each payroll run.

Reconciliations

We obtained the payroll reconciliation reports for May, September and November 2025, to confirm in all instances reconciliations had been completed and there were no discrepancies. We confirmed each report had been prepared and signed by separate individuals and the date of sign off was recorded.

Leavers

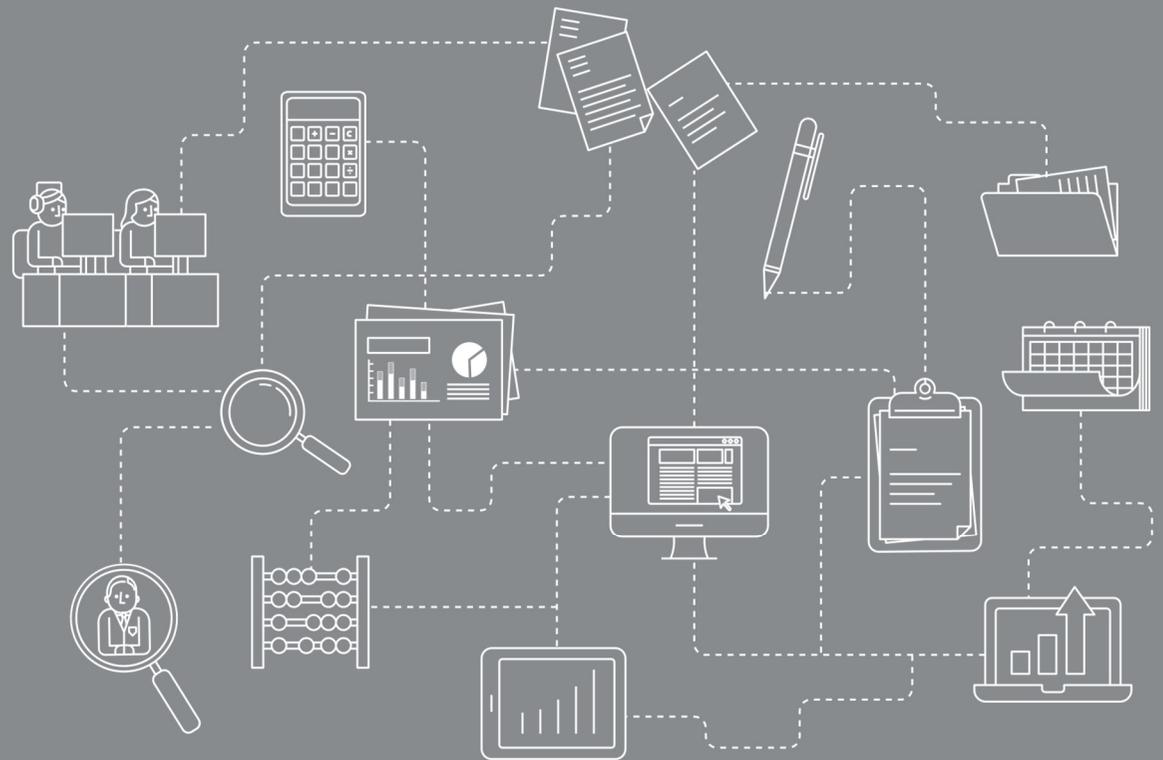
We sampled 10 leavers (five Police Officers and five Police Staff) who left the Force since 1 April 2025 and completed a walkthrough of the iTrent system with the Payroll and Pensions Officer. For all leavers, we confirmed that leaver forms were submitted, authorised by line management, and signed by People Services prior to the leave date, and that payroll processing was confirmed. We also verified that leave dates and salary details aligned with contract or offer letter information recorded in iTrent.

Final salary calculations

Through review of the leaver e-forms, we confirmed a final salary calculation had been completed and recorded on the leaver form in all 10 instances, detailing the final annual leave and TOIL balance. We obtained the final payslip and confirmed in all 10 instances that payment was made in the correct month and the outstanding annual leave and TOIL balance was included in the final payment, where applicable, ensuring that employees received all entitlements due upon leaving.

Summary of Actions for Management

01



SUMMARY OF MANAGEMENT ACTIONS

The action priorities are defined as*:

High

Immediate management attention is necessary.

Medium

Timely management attention is necessary.

Low

There is scope for enhancing control or improving efficiency.

Ref	Action	Priority	Responsible Owner	Date
1	The Force will complete a review of the new starter and leaver guidance notes, to ensure they reflect current operating practice.	Low	Senior Payroll and Pensions Officer	31/10/2026

* Refer to Appendix B for more detail

Detailed Findings and Actions

02



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 audit testing undertaken.

Area: Key Financial Controls				
Control	There is a suite of documents available to staff on how to process payroll tasks and processes.			Assessment:
				Design ✓
				Compliance ×
Findings / Implications	<p>We obtained the new starter and leaver guidance notes and confirmed that documented, step by step procedures are in place for both processes. The guidance provides clear instructions covering key stages of payroll setup and removal, including required documentation, validation checks, system processing steps, and post processing activities. These procedures align with current payroll operating practices and support the accurate and timely addition and removal of employees from the payroll.</p> <p>We confirmed the documents were last reviewed in February 2023 by the Senior Payroll and Pensions Officer. The Force aims to review all process notes related to starters and leavers at least every two years. However, due to competing priorities and resource constraints within the team, the most recent review has not been conducted in a timely manner.</p> <p>Failure to review and update process notes regularly may result in outdated procedures, inconsistencies, and potential compliance risks.</p>			
Management Action 1	The Force will complete a review of the new starter and leaver guidance notes, to ensure they reflect current operating practice.	Responsible Owner:	Date:	Priority
		Senior Payroll and Pensions Officer	31/10/2026	Low

Area: Key Financial Controls				
Control	The People Services Help desk do a monthly audit of staffing lists, prior to the payroll being ran and highlight any exceptions.			Assessment:
				Design ✓
				Compliance ×
Findings / Implications	<p>We obtained evidence for the months of May, September, and November 2025 to confirm that the People Services Help Desk performs a monthly audit of payroll, human resources, and departmental staffing lists prior to payroll being processed.</p> <p>Through our review, we confirmed that a reconciliation report is generated each month to identify employees recorded on the payroll listing who do not appear on the corresponding staff list. Any discrepancies identified through this process are extracted and documented on a separate exception list for further investigation and follow up.</p>			

Area: Key Financial Controls

For each of the three months reviewed, we confirmed that all records appearing on the exception list included an explanatory comment. These comments clearly documented the reason each individual was not recorded on the staff list.

We noted that the Origin Payroll report can be prepared and investigated by the same person or by different people in the team, but is dependant on staffing levels. We noted that the Origin vs Payroll report may be both prepared and investigated by the same individual or by different members of the team, depending on staffing levels.

We were informed that where a discrepancy is identified and the error relates to another team member's work, this is discussed before any correction is made.

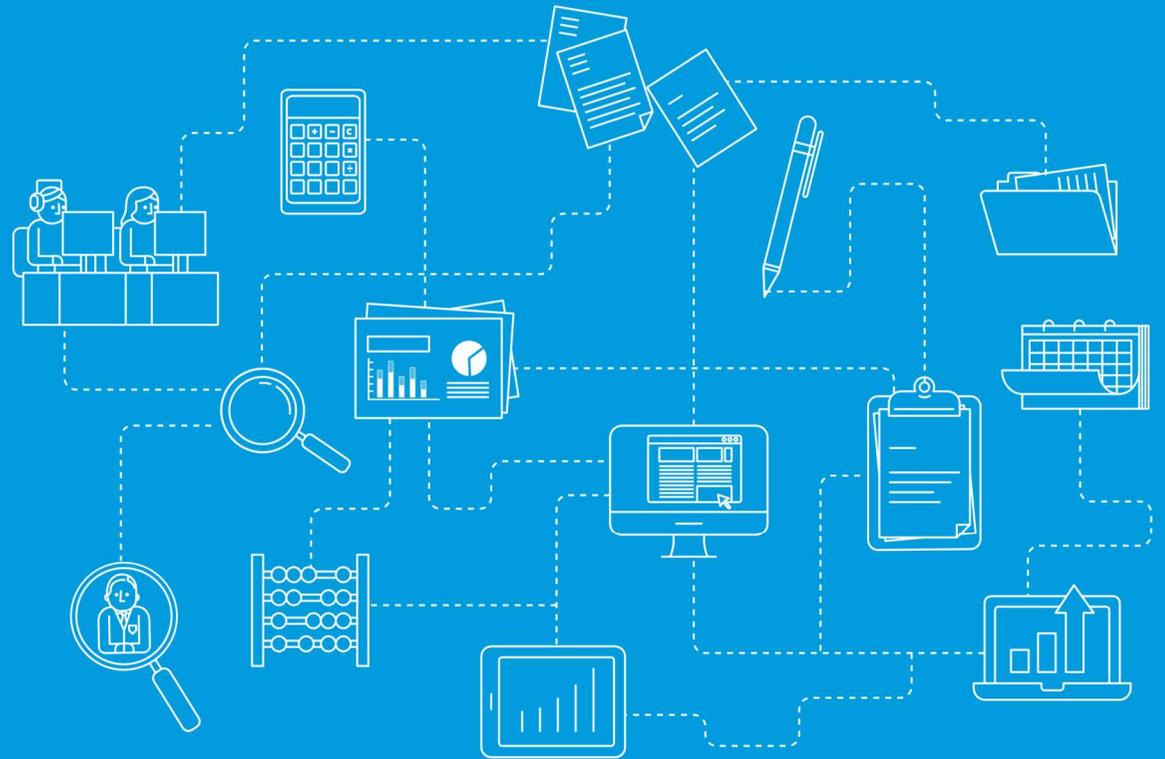
While standard practice is for the report to be prepared by one individual and independently reviewed by another, as this provides segregation of duties and strengthens assurance over the accuracy and completeness of the data, we recognise that competing priorities and current resource constraints have limited the team's ability to implement this consistently. We were therefore advised due to resourcing issues management do not intend to implement a control in this area.

Area: Key Financial Controls

Control	Missing control - The Force are not able to run a report to identify amendments.	Assessment:
		Design ×
		Compliance ×
Findings / Implications	Through discussion with the Senior Payroll and Pensions Officer, we were informed that the Force does not currently have the system functionality or internal capacity to produce a report identifying amendments made to payroll standing data. As a result, no central record or audit trail of such changes exists, and we were therefore unable to test whether amendments are appropriately authorised, accurate, and processed in a timely manner.	
	This creates a risk that unauthorised, inaccurate, or untimely changes to payroll standing data may go undetected, potentially leading to payroll errors, financial loss, or fraud.	
	Management acknowledge and accept this risk due to current capacity constraints and system limitations. We note that this position will be reviewed if system functionality or staffing resources improve.	

Appendices

03



APPENDIX A: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings

Low

There is scope for enhancing control or improving efficiency.

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 actions		
			Low	Medium	High
Key Financial Controls - Payroll	1 (10)	2 (10)	1	0	0
Total			1	0	0

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

APPENDIX B: INTERNAL AUDIT ASSIGNMENT OPINIONS



Minimal Assurance

Taking account of the issues identified, the board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Urgent action is needed to strengthen the control framework to manage the identified risk(s).



Reasonable Assurance

Taking account of the issues identified, the board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

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



Partial Assurance

Taking account of the issues identified, the board can take partial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Action is needed to strengthen the control framework to manage the identified risk(s).



Substantial Assurance

Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

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