



Cumbria Shared Internal Audit Service

Internal Audit report for Cumbria Constabulary /

Cumbria OPCC

Audit of Payroll

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Audit Resources

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Audit Report Distribution

For Action:	Ann Dobinson, Head of Central Services Stuart Henderson, Senior ICT Project Manager
For Information:	Michelle Bellis, Deputy Chief Finance Officer Roger Marshall, Joint Chief Finance Officer Stephen Kirkpatrick, Director of Corporate Support
Audit Committee:	The Joint Audit Committee which is due to be held on 16 th March 2022 will receive the report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Audit Manager.

Executive Summary

Background

This report summarises the findings from the audit of **Payroll**. This was a planned audit assignment which was undertaken in accordance with the 2021/22 Audit Plan.

The payroll processing function is undertaken by the Central Services Department (CSD). The department currently administer the monthly salaries of approximately 2,080 Constabulary officers and staff with a cost of £4.1m per month and 25 OPCC staff at £38,000 per month.

A new Crown Duties Management System was implemented in February 2021. The system specification includes automated overtime, unsocial hours and TOIL claims. Output files from the Crown system are uploaded to the payroll system for payment. Checks and validations are carried out within the Resource Co-ordination Team prior to uploading the file to CSD for payroll processing. CSD checks are carried out on the payroll file prior to upload for payment.

At the time of this audit the Crown system implementation project was regarded as complete and business as usual. A Service Design Project is currently underway to determine how the Team should be resourced and structured, this work is due for completion in March 2022. A review of the duties management element of the Crown system is included in the 2021/22 internal audit plan and this also intrinsically links to workforce planning and resource allocation which is currently being reviewed by Internal Audit.

Audit Approach

Audit Objectives and Methodology

Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems. A risk based audit approach has been applied which aligns to the five key audit control objectives. Detailed findings and recommendations are set out within the Management Action Plan.

Audit Scope and Limitations

The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was Ann Dobinson, Head of Central Services. The agreed scope of the audit was to provide assurance over management's arrangements for governance, risk management and internal control in the following areas:

- Processes around TOIL, Unsocial Hours and Overtime output files from the Crown Duty Management System and the subsequent checks prior to upload to payroll;
- New starters – Police Officers and Staff.

There were no instances whereby the audit work undertaken was impaired by the availability of information.

Confirmation that controls are in place to ensure that employee records can only be created in the payroll system where an authorised post exists was not tested as part of this review as it is being picked up as part of the audit of Resource Allocation / Workforce Planning which is currently underway.

Assurance Opinion

Each audit review is given an assurance opinion and this provides Joint Audit Committee and Officers with an independent assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.

From the areas examined and tested as part of this audit review, we consider the current controls operating within Payroll provide **Reasonable Assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

Summary of Audit Findings and Recommendations

Controls were operating effectively in the following areas:

- A process map has been produced setting out the processes to be undertaken within the Resource Co-ordination Team and Central Services Department (CSD) to ensure that Officer and Staff claims for TOIL, Unsocial Hours and Overtime are correct prior to payment.
- Exception reports are run from the system on a daily / weekly basis and these are reviewed within the Resource Co-ordination Team. Exceptions need to be actioned prior to the payroll file being passed to CSD for processing.
- Audit testing of a sample of changes made to the claims, as a result of the checking process, were correctly reflected in the Officer / Staff pay.
- A monthly timetable has been agreed showing deadlines for payroll files to be extracted from Crown, finalised and sent to CSD. Audit testing confirmed that the deadlines have been adhered to with one exception where there was a system issue which needed to be resolved. CSD were made aware of the issue and the payroll file was provided to them early the following day.
- All correspondence relating to claim queries and additional authorisations are retained within the Duties Overtime Enquiries email folder.
- CSD have prepared a procedure document showing the checks that need to be completed on the Crown pay file prior to the monthly payroll being processed.
- Payroll responsibilities are clearly documented in the Constabulary's Financial Regulations and Financial Rules.
- A New Starter Process document has been prepared by CSD.
- The new starter vetting process is undertaken by the Force Vetting Department who provide CSD with confirmation of clearance.
- A sample of new starters, both Officer and Staff, were selected for testing. New starter information was reconciled to contracts of employment and current salary scales. There is a clear segregation of duties between the member of staff adding the record to iTrent, attaching the employee to payroll and checking it.

The recommendations arising from this review can be summarised as follows:

High	Medium	Advisory	Total
0	1	0	1

The three levels of audit recommendation are defined in **Appendix A**.

Areas for development: Improvements in the following areas are necessary in order to strengthen existing control arrangements:

High Priority Issues: No high priority issues were identified

Medium Priority Issues:

- The claim checks, undertaken within the within the Resource Co-ordination Team, have not been documented in detail.

Advisory issues: No advisory issues were identified

Director of Corporate Support and Joint Chief Finance Officer Comments

I am pleased that the audit report has revealed that internal controls in relation to payroll continue to operate effectively and that checks on overtime, TOIL and are operating as designed. This is particularly important as overtime expenditure is significant and recording overtime worked in Crown Duties is a new process. The recommendation that checks on overtime processes in Crown be fully documented is accepted and will be addressed as indicated in the management response.

Roger Marshall Joint CFO

I support and echo the Joint CFO's observations and feel that this audit review has given assurance that payroll services continue to operate in a secure and effective manner. The review highlighted that controls were in place and operating effectively across all areas, which is a testament to the approach and diligence of all involved. As observed, the recommendation to improve the process (incl. documentation) within the Resource Coordination function is accepted and will be actioned.

Stephen Kirkpatrick, Director of Corporate Support

Management Action Plan

Medium Priority

Audit finding	Management response
<p>Documented procedures for checking monthly claims prior to file transfer Staff within the Resource Co-ordination Team undertake a variety of daily and monthly checks on the overtime, unsocial hours and TOIL claims to ensure payments are authorised, based on legitimate time worked, and claimed in line with police overtime regulations.</p> <p>Exception reports are produced and checked daily for issues including incorrect codes selected when planned overtime is input to Crown, missing cost centre codes, overtime in excess of 4 hours (additional authorisation required if claim is over 10 hours or crosses into the following day), unsocial hours paid for overtime where staff member already receives an enhancement and checking that deductions are correct.</p> <p>Procedures for carrying out the various checks have not been documented e.g. which systems or reports should be reviewed to confirm accuracy of the claim including that deductions are correct.</p>	<p>Agreed management action: <i>Note and agree the recommendation, whilst the checks are detailed as part of the process map we will formalise these into a monthly procedure document.</i></p> <p><i>Action – A monthly checklist document will be produced with a list of each step of the process map that needs to be completed, which will be version controlled with the date and signature the action was carried out and who by. This checklist will be used each month through the process until the file has been sent to CSD for checking and then continue their stage.</i></p> <p><i>This will be implemented ahead of the next Payroll run due March w/c 07/03/22.</i></p>
<p>Recommendation: Details of the various checks to be undertaken within the Resource Co-ordination Team on monthly claims should be documented.</p>	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> • Payments are made in error due to inconsistencies in the checking process. 	<p>Responsible manager for implementing: Karen Thomson – Resource Coordination Team Leader</p>

	Date to be implemented: March 2022
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Audit Assurance Opinions

There are four levels of assurance used, these are defined as follows:

Assurance Level	Definition
Substantial	Sound frameworks of governance, risk management and internal control are in place and are operating effectively. Recommendations, if any, will typically be no greater than advisory.
Reasonable	Frameworks of governance, risk management and internal control are generally sound with some opportunities to further develop the frameworks or compliance with them. Recommendations will typically be no greater than medium priority.
Partial	Weaknesses in the frameworks of governance, risk management and/or internal control have been identified or there are areas of non-compliance with the established control framework which place the achievement of system / service objectives at risk. Recommendations will typically include high and medium priority issues.
Limited	There are significant gaps in the governance, risk management and/or internal control frameworks or there are major lapses in compliance with the control framework that place the achievement of system / service objectives at significant risk. Recommendations will include high priority issues.

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below:

Grading	Definition
High	A recommendation to address a significant gap in governance, risk management or internal control frameworks or to address significant non-compliance with controls in place.
Medium	A recommendation to address a gap in governance, risk management or internal control frameworks or to address aspects of non-compliance with controls in place.

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