



THE POLICE AND CRIME COMMISSIONER FOR CLEVELAND AND THE CHIEF CONSTABLE OF CLEVELAND

Key Financial Controls: Payroll

Final Internal Audit Report: 3.24/25

24 December 2024

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CONTENTS

Audit outcome overview	3
Summary of management actions	7

Appendices

Detailed findings and actions	9
Appendix A: Categorisation of findings	12
Appendix B: Scope	13

AUDIT OUTCOME OVERVIEW

In line with our scope, included at Appendix B, the overview of our findings is detailed below.

Background / Why we did the audit

We undertook a review of the framework in place for processing payroll at the Police and Crime Commissioner for Cleveland and the Chief Constable of Cleveland to ensure that employees are paid all monies due to them each month in a timely manner. Our review focused on the payments made to police officers, police staff and Police and Crime Commissioner staff.

We also used our data analytics tool, Alteryx, to scrutinise the payroll data with focus on the following areas:

- 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); and
- New starters are not paid before their start date and leavers are not paid after their leave date.

Conclusion: Our review confirmed that the framework in place for processing payroll at the Police and Crime Commissioner for Cleveland and the Chief Constable of Cleveland is robust and our audit work confirmed that the controls are being complied with in practice to ensure that employees are paid all monies due to them each month, and in a timely manner.

We did however also identify some minor areas where controls are not being complied with or require review regarding ensuring that the most up to date Corporate Governance Framework is available via the website, monthly payroll control account reconciliations are independently signed off and to ensure that cross checks between HR paperwork and the Oracle system when entering information are completed.

Internal audit opinion:



Minimal Assurance



Partial Assurance



Reasonable Assurance



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.

Audit themes:

- **Policies and procedures:** There is a Corporate Governance Framework in place which details the financial regulations with a section on payments to employees. This section details the responsibilities of the Chief Constable, Chief Executive and Monitoring Officer, and Chief Finance Officer (Commissioner) in terms of ensuring the secure and reliable payment of salaries. Review of the report of the Chief Constable to the Chair and members of the Joint Audit Committee and meeting minutes from the meeting held on 28 March 2024 confirmed that an update on the amendments to the Framework had been presented as part of the annual review where the changes were agreed. It was noted that the Police and Crime Commissioner for Cleveland website has not been updated with the most recent version of the Corporate Governance Framework at the time of the audit, posing a risk that the public and staff are unaware of any changes made to the framework. **(Low)**

The Payroll Team also have their own local procedure which are available to the team via the payroll shared drive. We reviewed these procedures to confirm that they had been recently reviewed in September 2024.

- **Review of payroll:** As part of the month end process the Head of Payroll undertakes a number of checks before the payroll payment is processed. These checks include the production of payroll reports each month detailing the payments made to individual staff, the payments are then compared to the payments made in the previous month and any differences over 30% are investigated by the Payroll Team and a note made on the report detailing the reason. A report of any payments over £5,000 made in the month are also produced and reviewed each month.

Our testing of a sample of three months for the Force, Commissioner, and support staff confirmed that a payroll month end checklist is completed each month by the Payroll Team to ensure each task is completed before the payroll reports are produced by the Head of Payroll to review. The Management Accountant then reviews the payroll costing reports to ensure that the correct cost codes have been used.

The payroll control account reconciliation is completed by the Management Accountant each month to ensure that the payroll control account reconciles to the general ledger. Any discrepancies are reviewed and addressed before the payment is made. We did however identify that the payroll control accounts reconciliation is not independently reviewed and signed off, which may lead to the risk that financial systems have not been accurately updated or incorrect payroll payments have been made. **(Low)**

The Treasury Manager checks the payroll gross to net reports against the BACS reports before they approve and make the payment.

- **Data analytics:** We have used our data analytics tool, Alteryx, to scrutinise the organisations' payroll data to identify discrepancies for the following areas:
 - 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); and
 - New starters are not paid before their start date and leavers are not paid after their leave date.

Where our data analytics tool identified discrepancies we undertook further sample testing on the results, in each case we concluded that there were reasons for the discrepancies and so no further action was required with the exception of one instance where the tool identified one instance in which an invalid NI number had been used.

Discussions with the Head of Payroll confirmed that a digit had been omitted when entering the NI number onto Oracle. We can confirm that this NI number has now been rectified. Cross checks between paperwork and the Oracle system when entering information should be undertaken to ensure accuracy of the data. **(Low)**

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- **Segregation of duties:** Testing of a sample of starters, leavers, amendments has confirmed that the Payroll Team are informed of new starters and leavers by the HR Resourcing Team which are then processed by the Payroll Team. Our sample testing also confirmed that the Treasury Team are responsible for reviewing and making the payroll payment, concluding that there is adequate segregation of duties present in the processing and payment of payroll.

We also reviewed the responsibilities recorded on the finance and payroll system, Oracle, for a sample of 10 users which confirmed that payroll staff had not been provided with any HR access and vice versa ensuring that the system controls provide in built segregation of duties in the processing and payment of payroll.

- **Starters:** Our sample testing confirmed that new starter paperwork varies dependent on the type of position:
 - Police constables are recruited in line with the cohort for that period and so individual starter forms are not completed, instead a spreadsheet is completed for the full cohort for that period in line with the number of recruits detailed from the Officer Deployment Group decision.
 - For other staff, starter forms are completed by the HR Resourcing Team and approved.

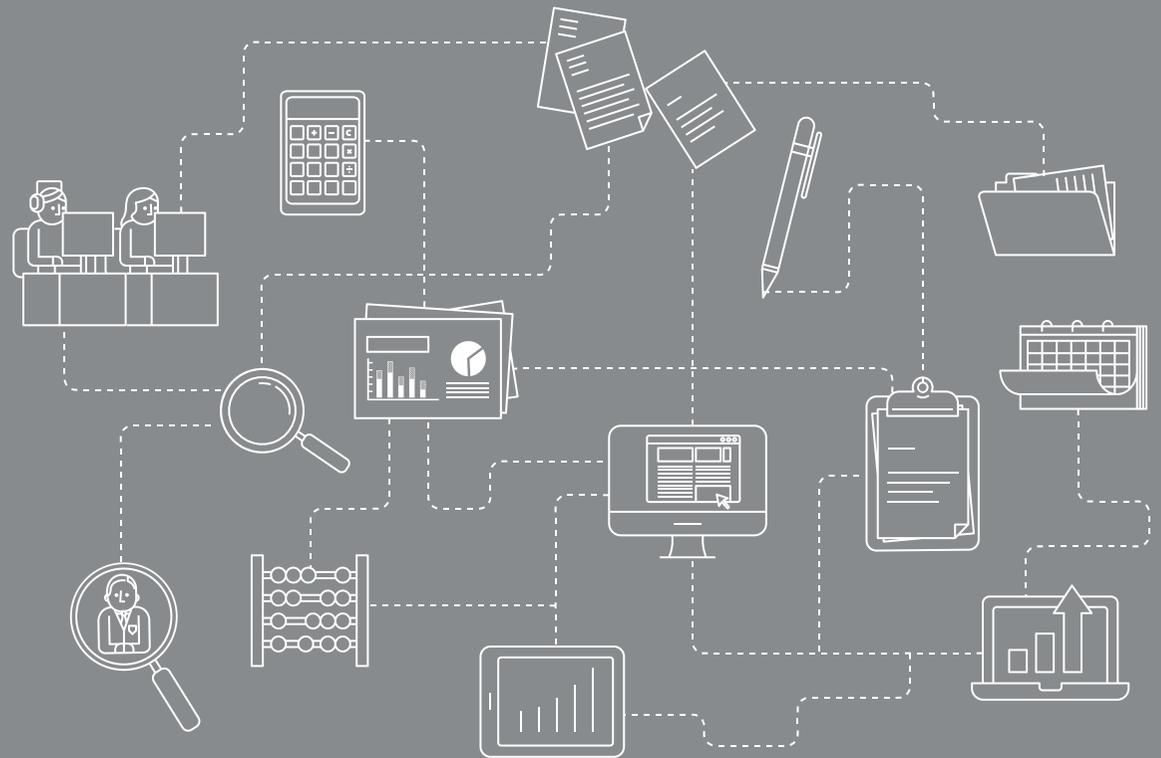
The HR / Resourcing Team update Oracle and produce the employment terms with the new starter details using the details recorded on the new starter paperwork before being forwarded to the Payroll Team to add the salary details and any voluntary deductions to the payroll system.

Testing of a sample of 20 new starters confirmed that the starter documentation was available and agreed to the details updated onto the payroll system including their personal details, start date and starting salary.

- **Leavers:** Our testing confirmed that in each case the HR Resourcing Team had forwarded the leavers form via email detailing the leave date and final salary calculations. In each case the payroll system had been updated correctly with the leave date and the final salary to be paid on a timely basis. There is also a process in place for recovering any outstanding monies owed which then forms part of the debtors process.
- **Amendments:** Any amendments to the payroll standing data are made in various ways, either via the self service portal (overtime, hours for zero hour contracts, kit days, call outs, unsocial hours) and are approved within the system by the supervisor. Other changes are made via the completion of the Notification of Change Form which is approved by the supervisors / Business Partners before being passed to the Payroll Team to process alongside the source documentation.

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 most recent version of the Corporate Governance Framework will be made available via the Police and Crime Commissioner for Cleveland website.	Low	Strategic Finance Manager	31 December 2024
2	Payroll control account reconciliations will be independently reviewed and signed off each month.	Low	Head of Finance, Accounting and Payroll	31 December 2024
3	New starter information entered on Oracle will be cross checked to ensure all information entered is correct and agrees back to the source documentation for accuracy.	Low	Resourcing Assistant	31 December 2024

* Refer to Appendix A 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: Policies and Procedures

Control	There is a Corporate Governance Framework in place that details the financial regulations including the roles and responsibilities surrounding payroll. The framework is available via the Police and Crime Commissioner for Cleveland website and is reviewed on an annual basis.	Assessment:	
	There are local procedures in place which are used by the Payroll Team when processing payroll. These are available to staff via the payroll shared drive.	Design	✓
		Compliance	×

Findings / Implications There is a Corporate Governance Framework in place and available via the Police and Crime Commissioner for Cleveland website, which was noted as being last reviewed in March 2023. Review of the report of the Chief Constable to the Chair and members of the Joint Audit Committee and meeting minutes from the meeting held on 28 March 2024 confirmed that an update on the amendments to the Framework had been presented as part of the annual review where the changes were agreed. We noted that the Police and Crime Commissioner for Cleveland website has not been updated with the most recent version of the Corporate Governance Framework as yet, posing a risk that the public and staff are unaware of any changes made to the framework.

Review of the Corporate Governance Framework confirmed that it details the financial regulations with a section on payments to employees. This section details the responsibilities of the Chief Constable, Chief Executive and Monitoring Officer, and Chief Finance Officer (Commissioner) in terms of ensuring the secure and reliable payment of salaries. The Payroll Team also have their own local procedure which are available to the team via the payroll shared drive. We reviewed these procedures to confirm that they had been recently reviewed in September 2024 and provided staff with details for the following processes:

- New starter set up;
- Processing a leaver including how to calculate holiday pay;
- Month end process; and
- Processing change in hours.

We confirmed that both the Corporate Governance Framework and the local procedures reflected current working practices.

Management Action 1	The most recent version of the Corporate Governance Framework will be made available via the Police and Crime Commissioner for Cleveland website.	Responsible Owner: Strategic Finance Manager	Date: 31 December 2024	Priority: Low
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Area: Payroll Control Accounts

Control	The payroll control account reconciliation is completed by the Management Accountant each month to ensure that the payroll control account reconciles to the general ledger. Any discrepancies are reviewed and addressed before the payment is made.	Assessment:	
	Missing control - The payroll control account reconciliations are not independently reviewed and signed off.	Design	×
		Compliance	-

Findings / Implications	<p>The payroll control account reconciliation is completed by the Management Accountant each month to ensure that the payroll control account reconciles to the general ledger. We reviewed a sample of three months which confirmed that in each case a detailed reconciliation of the payroll control accounts as well as deductions, pay advances and expense advances balances also agreed ensuring that any payroll-related transactions had been correctly accounted for.</p> <p>Discussion with the Management Accountant also confirmed that any discrepancies are reviewed and addressed before the payment is made. We did however identify that the payroll control account reconciliation is not independently reviewed and signed off, which may lead to the risk that financial systems have not been accurately updated or incorrect payroll payments have been made.</p>		
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Management Action 2	Payroll control account reconciliations will be independently reviewed and signed off each month.	Responsible Owner: Head of Finance, Accounting and Payroll	Date: 31 December 2024	Priority: Low
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Area: Data Analytics - Ghost Employees and Valid National Insurance Numbers

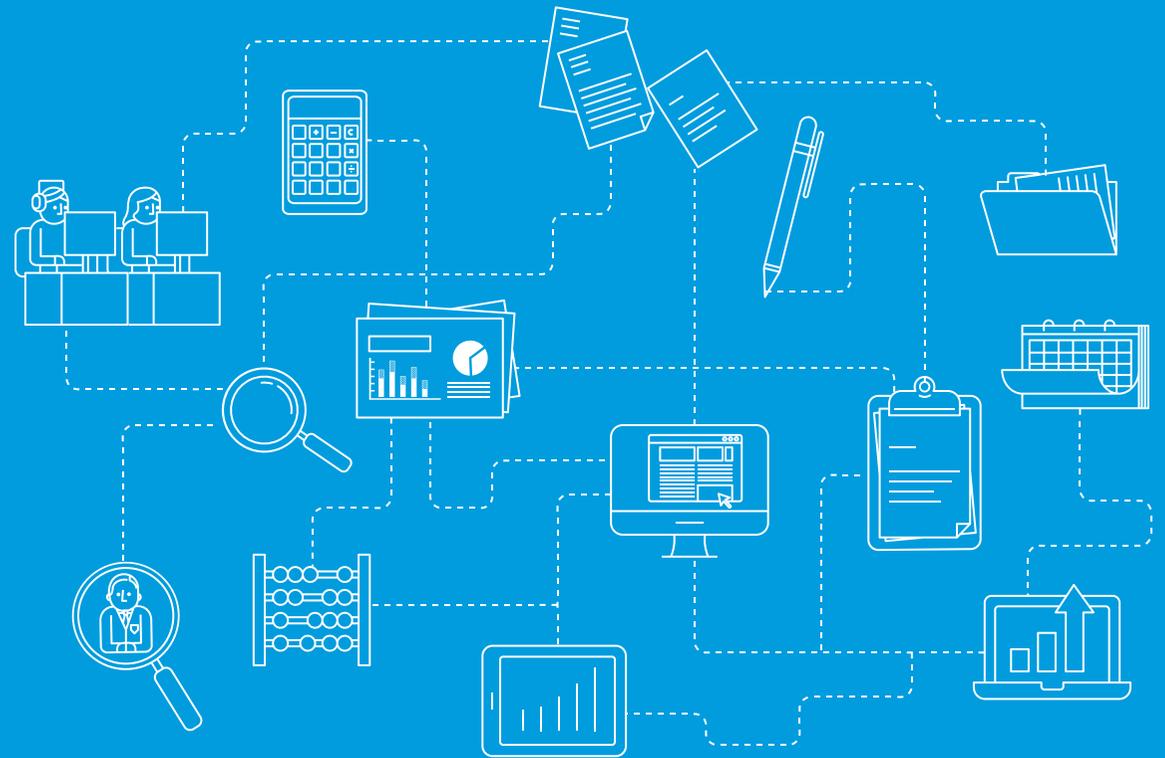
Control	We have used our data analytics tool, Alteryx, to scrutinise the organisations' payroll data and confirm ghost employees are not present in the payroll system, including review of the validity of National Insurance Numbers (NINOs), where any discrepancies are identified then further explanation / testing was completed.	Assessment:	
		Design	-
		Compliance	-

Findings / Implications	<p>Testing of 2,658 employees and officers (Force and OPFCC) to identify any ghost employees and instance in which an invalid NI number has been used. Our analysis identified one instance in which an invalid NI number has been used. Discussions with the Head of Payroll confirmed that a digit had been omitted when entering the NI number onto Oracle. We can confirm that this NI number has now been rectified.</p> <p>There were no other employees detected with an invalid NI number leading to the conclusion that there were no ghost employees in the payroll system, however we did not undertake a review of the employees back to starter paperwork to confirm their existence.</p>		
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Management Action 3	New starter information entered on Oracle will be cross checked to ensure all information entered is correct and agrees back to the source documentation for accuracy.	Responsible Owner: Resourcing Assistant	Date: 31 December 2024	Priority: Low
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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
Payroll	1 (16)	1 ** (16)	3	0	0
Total			3	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.

** One action has been raised as a result of our data analytics review which has not assessed the design and application of the control framework.

APPENDIX B: SCOPE

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

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following objective:

Objective of the area under review

To assess the adequacy and effectiveness of internal controls in place at the Force for managing its key financial systems. The review will focus on payroll arrangements at the organisations.

When planning the audit, the following were agreed:

Our review will focus on the payments made to police officers, police staff and Police and Crime Commissioner staff. In particular, we will consider the following:

- Policies and procedures relating to the payroll function (starters, leavers, amendments) are in place which are subject to periodic review to ensure that they remain up to date and reflect current operating practice.
- Appropriate segregation of duties is in place between payroll, HR and finance functions to ensure payroll standing data integrity is maintained, through the use of user access rights and controls.
- Exception reports are prepared and reviewed independently prior to payment.
- An independent review of payroll (finance) is undertaken prior to processing payments.
- Payroll control accounts are reconciled to the general ledger monthly and subject to independent review.

New starters

- 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 and paid in a timely manner, and core information (including salary, start date and bank account details) reconciles to contractual documentation.
- Other deductions (pension, salary sacrifice) are accurately captured and processed upon instructions from the employee.

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.

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- The process for retrieving any outstanding monies owed to the organisations from leavers.

Amendments

- Amendments to the payroll (such as, 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 subject to appropriate review and authorisation prior to processing.

Data analysis:

We will use our data analytics tool, Alteryx, 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).
- New starters are not paid before their start date and leavers are not paid after their leave date.

The following limitations apply to the scope of our work:

- We will only consider permanent employees paid through the payroll.
- We will not consider overtime, expenses or honorarium payments made to employees.
- We will not consider the appropriateness of payments made to employees, only that these are the correct amounts due to them.
- The audit will not include an evaluation of PAYE or NI.
- We will not provide assurance over the accuracy of submissions to the payroll team such as timesheets and sickness documentation only that these have been processed by payroll correctly.
- We will not provide assurance that the payroll payments have been made into the correct employees' bank accounts.
- Any tests carried out through data analysis will be dependent on the quality of reports extracted from the payroll system.
- Testing will be completed on a sample basis from transactions within the last 12 months.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Debrief held	31 October 2024
Draft report issued	13 November 2024
Responses received	20 December 2024

Final report issued	24 December 2024
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Internal audit contacts	Dan Harris, Head of Internal Audit
	Phil Church, Associate Director
	Hollie Adams, Principal Consultant

Client sponsor	Rakxa Parmar, Consultant
	Chief Finance Officer, Force
	Head of Finance and Payroll
	Strategic Finance Manager

Distribution	Chief Finance Officer, Force
	Head of Finance and Payroll
	Strategic Finance Manager

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