



PFCC Cumbria & Cumbria Constabulary

Assurance Review of Payroll

January 2025

Final



# Executive Summary

## OVERALL ASSESSMENT



## ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

R1 - Strategic Finance.

## SCOPE

The review considered arrangements for: the creation, amendment and deletion of payroll records accurately and on a timely basis; payment of allowances and pay awards; collection of overpayments; payment of salaries; and reviewing payroll, exception reports and pay variations prior to authorisation. The scope of the review did not include determination of salary scales, the HR arrangements for appointment and removal of staff, severance payments or reimbursement of travel and subsistence expenses, or pension arrangements.

## KEY STRATEGIC FINDINGS



A managed payroll service agreement is in place, providing periodic processing, payments to employees and third parties, and answering ad hoc queries.



From the sample testing performed, payroll calculations are accurate, properly supported and approved, and paid on a timely basis.



The payroll team, in particular, has developed over time a thorough, efficient and effective series of period-end checks on the various payroll data sets.



As at Quarter 2, payroll costs were reported to the Chief Officer Group with a forecast net underspend of £116K, or 0.08% of the revised budget for 2024/25.

## GOOD PRACTICE IDENTIFIED



The Financial Regulations and the Financial Rules both detail the payroll-related responsibilities of all personnel involved in the payroll process.



An extensive suite of procedures and strict timetables for periodic tasks help ensure that payroll calculations and payments are accurate and timely.

## ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

# Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
------	-----------	---------	----------------	----------	---------------------	-------------------------------------	---------------------------------

There are no Recommendations arising from this review.

**PRIORITY GRADINGS**

**1 URGENT** Fundamental control issue on which action should be taken immediately.

**2 IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3 ROUTINE** Control issue on which action should be taken.

# Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No Operational Effectiveness Matters were identified.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

## Assignment Engagement Details

TIAA Auditors	Title	Contact Email	Telephone
Ian Goodwin	Principal Auditor	Ian.Goodwin@tiaa.co.uk	07867 526 292
Martin Ritchie	Director of Audit	Martin.Ritchie@tiaa.co.uk	07717746714

OPFCC/Constabulary Staff	Title
Alison Hunter	Payroll & Transactional Services Manager
Fiona Braithwaite	Employee Services Team Leader
Abi Whitbread	Data Reporting and Systems Officer
Ann Dobinson	Head of Central Services

<b>Exit Meeting Date</b>	12/12/2024
<b>Attendees</b>	Ann Dobinson, Head of Central Services Alison Hunter, Payroll & Transactional Services Manager Fiona Richardson, Employee Services Team Leader

<b>Director/Commander Comment</b>	<p>I am pleased that the audit report has revealed that internal payroll controls continue to operate effectively and that the payroll processing and subsequent checks are operating as designed. This is particularly important as payroll costs account for 80% of the total budgeted revenue expenditure.</p> <p>This audit report has given substantial assurance that payroll services continue to operate in a secure and effective manner, it highlights those internal controls are in place and working effectively across all areas, which is a real testament to the approach and diligence of all involved.</p> <p>It is noted that there are no recommendations made as part of this audit.</p> <p>Ann Dobinson, Head of Central Services 13/01/2025</p>
<b>Deputy Chief Constable's Comment</b>	<p><b>I have read the report and the comments from the Head of CSD above. I am pleased to note that the audit provides the highest level of assurance for payroll (Substantial) and contains no recommendations/actions.</b></p> <p><b>DCC Darren Martland 13/01/2025</b></p>
<b>Considered for Risk Escalation</b>	N/A

# Findings



## Directed Risk:











Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	<b>Governance Framework</b> There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In place	-	-
RM	<b>Risk Mitigation</b> The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	<b>Compliance</b> Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	In place	-	-

## Other Findings

- Both the Financial Regulations and the Financial Rules are dated March 2021 and apply to all employees of the Police, Fire and Crime Commissioner for Cumbria (PFCCC) and to all employees and police officers of Cumbria Constabulary. The Rules are the detailed supporting guidance and instructions accompanying the Regulations. They both include a section specific to employee payroll, pensions and other expenditure, as well as one on taxation (PAYE, VAT and national insurance), in which are detailed the relevant responsibilities of key personnel. The payroll team has developed an extensive suite of procedures, a sample of which was reviewed and seen to be up to date.
- On 15<sup>th</sup> October 2023, the PFCC entered into a five-year payroll service contract with Softcat plc, whereby MHR International UK Ltd (MHR) is subcontracted to provide a managed payroll service using the iTrent HR and payroll system. Included within the service agreement is a payroll enquiry service whereby MHR will answer ad hoc payroll queries from the payroll team, from other employees and also from named third parties, being HMRC, courts, and Child Maintenance Service.
- The Office of the Police, Fire and Crime Commissioner (OPFCC) presented its quarterly Risk Management Monitoring report to the JAC on 25<sup>th</sup> September 2024. Risk R1, Strategic Finance, is the risk of a reduction in real term resources within the medium-term providing sufficient funding for current levels of policing. Mitigating actions are stated to include that the budget and medium-term financial forecast (MTFF) are reviewed and updated on a regular basis and that the budget has been balanced in the short-term. The latest risk score is 12 (amber). Responsible Officers are the Chief Executive and the Chief Finance Officer (CFO). The Constabulary's strategic risk register, presented at the same meeting, includes a risk on the implications of a longer-term reduction in budget and the level of savings required. Payroll costs account for 80% of the total budgeted revenue expenditure for 2024/25 that was presented to the Public Accountability Conference on 15<sup>th</sup> February 2024.

## Other Findings

-  A Payroll Timetable spreadsheet was evidenced, listing the required date of completion for each of 20 identified tasks across all 12 pay months in the current financial year. The payroll service contract also includes a strict payroll processing schedule for 14 identified tasks, from the submission of payroll data to MHR, through to transmitting the authorised BACS file and transferring payslips for printing.
-  For the purposes of testing compliance with the organisation's Financial Regulations, Financial Rules, policies, procedures and relevant legislation, ten different tests covering the 12 months ended 31<sup>st</sup> October 2024 were undertaken. All testing was successful, including by detailed review of payslip entries with the Employee Services Team Leader via screenshare. Further details are provided below.
-  For each of five sampled starters, a Notification of Commencement of Employment form was completed and signed by the employee. For Police staff, details were agreed to their contract of employment. For Police Officers, the Employee Services Team Leader stated that contracts of employment are not received. Each starter was added to the payroll in the correct period. Their first payslip was reviewed and calculations were found to be accurate.
-  Each of the five sampled leavers had been added to a Leavers' spreadsheet, which tracks all the required administrative tasks to effectively process the employee's departure. Four leavers had also completed a Resignation / Retirement Notification form, one had received a financial settlement. All were removed from the payroll in the correct period and a review of their last payslip showed that calculations were accurate.
-  Three employees taking maternity leave, two taking paternity leave and one taking adoption leave were selected. The relevant payroll forms had been completed, giving notice of the intention to take leave, and the sampled payslips showed the correct calculation of the relevant leave element.
-  Five employees were selected who had a change of circumstance. One received an honorarium for acting up, two requested a change in shift pattern and two were from structural changes. Each change was supported by a proper audit trail and had their details accurately updated in the payroll system. Where applicable, the payslip correctly reflected the change.
-  Both the police officer pay award, and the police staff pay award for 2024/25 were effective from 1<sup>st</sup> September 2024. Six employees were selected, and payslips were checked to verify that the correct rate had been applied from the correct date.
-  Eight employees having had sickness absences were selected. Payslips were evidenced to ensure the correct deduction had been made for the absences as applicable.
-  Five employees having had overtime paid were selected. The relevant payslips were reviewed to confirm payment was made at the correct rate. Approval for overtime is handled by the Resourcing Team via the Crown Duty Management System. The Central Services Department then undertake overall reasonableness checks, which were evidenced in detail during testing, including via screenshare. These checks were seen to be extremely thorough, covering multiple scenarios and performed on multiple data sets each month.
-  The Monthly Payroll Tasks Checklist was reviewed for July 2024. This lists all checks made to payroll data prior to payment. Once each task is completed, it is then checked by a second person.





### Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	<b>Performance Monitoring</b> There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	-
S	<b>Sustainability</b> The impact on the organisation's sustainability agenda has been considered.	In place	-	-
R	<b>Resilience</b> Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

### Other Findings

-  The Financial Update 2024/25 Quarter 2 was presented to the Chief Officer Group on 21<sup>st</sup> October 2024. This noted a forecast outturn for Police Officers' pay of £110,656K, being a forecast net overspend of £605K (0.55%). The analysis provided of the net overspend comprised nine overspends, the largest of which is workforce plan changes (£233K), less three underspends, the largest being maternity / paternity (£447K). The Update also noted a forecast outturn for Police Staff pay of £29,657K, being a forecast underspend of £352K (1.17%), which is stated to be mainly due to increased vacancies. There is also a £369K (19.02%) underspend on Police Community Support Officers' pay, mainly due to the number of forecast vacancies.
-  As well as the payroll enquiry service, under the terms of the payroll service contract MHR also provides a 24/7 support portal known as "Service Cloud", part of which includes news on any relevant changes in legislation. The contract also includes various specific tasks requiring MHR to comply with current payroll legislation.



## Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

## Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

## Effectiveness of Arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

<b>In place</b>	The control arrangements in place mitigate the risk from arising.
<b>Partially in place</b>	The control arrangements in place only partially mitigate the risk from arising.
<b>Not in place</b>	The control arrangements in place do not effectively mitigate the risk from arising.

## Assurance Assessment

4. The definitions of the assurance assessments are:

<b>Substantial Assurance</b>	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
<b>Reasonable Assurance</b>	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
<b>Limited Assurance</b>	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
<b>No Assurance</b>	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

## Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

## Release of Report

6. The table below sets out the history of this report:

Stage	Issued	Response Received
<b>Audit Planning Memorandum:</b>	26 <sup>th</sup> September 2024	26 <sup>th</sup> September 2024
<b>Draft Report:</b>	10 <sup>th</sup> January 2025	14 <sup>th</sup> January 2025
<b>Final Report:</b>	14 <sup>th</sup> January 2025	