



Police, Fire and Crime Commissioner for Essex and Essex Police

Internal Audit Progress Report

8 December 2023

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1 Key messages

The internal audit plan for 2023/24 was approved by the Joint Audit Committee at the March 2023 meeting. This report provides an update on progress against that plan as well as the remaining report from the 2022/23 plan and summarises the results of our work to date.



Since the last meeting, we have issued the remaining final report from the 2022/23 internal audit plan:

- Payroll (reasonable assurance) [\[to note\]](#)



Since the last meeting, we have also issued two final reports from the 2023/24 internal audit plan:

- **Operational Resource Planning (RMU) - SAP Duty Management System** (reasonable assurance); and
- **Payroll Processes for Leavers** (advisory). [\[to note\]](#)



We have also issued three reports from 2023/24 in draft since the last meeting:

- Performance Reporting (draft);
- Debt Collection and Recovery (draft); and
- Problem Solving (draft). [\[to note\]](#)

2 Reports

2.1 Summary of 2022/23 final reports being presented to this committee

This section summarises the one remaining 2022/23 report that has been finalised since the last meeting.

Assignment	Opinion issued	Actions agreed		
		L	M	H

Payroll (10.22.23)

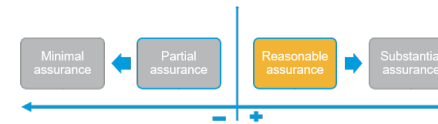
We confirmed some controls in place were well designed and operating effectively in relation to the system access controls within SAP and PTX and regarding the processing of starters and leavers including payments made to employees, with the relevant forms completed and payments made accurately and in a timely manner. We confirmed the monthly payroll was reviewed and processed accurately and in a timely manner and reviews were performed regularly on variances and on employee payment information to identify duplicates. We also confirmed regular reporting on the establishment is undertaken through the business intelligence system.

However, whilst we note the staffing issues (with the Payroll and Pensions Manager acting up into the Head of Payroll and Pensions role) during the period reviewed, we identified several instances where repayment plans could not be located for historic overpayments made with a total value of overpayments as at February 2023 being £176k.

We note that since the Head of Payroll and Pensions joined the Forces in 2023, improvements have been made to processes and processes that were temporarily dropped are in place again, ensuring the Force is back on the right trajectory to improve performance which had notably dipped during the period of staff resourcing issues which included the Payroll and Pensions Manger acting up to Head of Payroll and Pensions, and the three Payroll and Pensions Manager posts unoccupied (one vacant, one on maternity, and one acting up).

Reasonable assurance

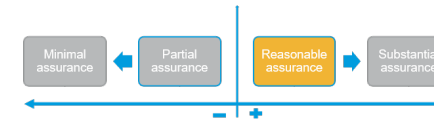
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2.2 Summary of 2023/24 final reports being presented to this committee

This section summarises the 2023/24 reports that have been finalised since the last meeting.

Assignment	Opinion issued	Actions agreed		
		L	M	H
<p>Operational Resource Planning (RMU) – SAP Duty Management System (3.23.24)</p> <p>Overall, we confirmed that controls were generally well-designed and were operating effectively. We confirmed the presence of procedural documents such as the Annual Leave and Police Officer Postings Protocols and SAP User Guide. We confirmed that the training provided to new members of the RMU, as documented in ‘RMU Knowledge and Information’, offers an introduction to the unit’s role and includes tutorials on essential SAP activities. We confirmed that regular discussions were being held within the Local Policing Team Resources, Establishment and Minimum Strengths Working Group meetings around how to maximise officer availability.</p> <p>However, through our review, we identified a control weakness around the absence management processes. Through our analysis of staff absences, we noted several instances where the request was not made through SAP or SAP was not updated to reflect annual leave until after the date the leave had been taken.</p>	Reasonable assurance	3	1	0
<p>Payroll Processes for Leavers (4.23.24)</p> <p>Overall, we confirmed that controls were generally well-designed and were operating effectively. We confirmed the presence of procedural documents such as the Overpayment of Pay and Allowances Procedure and management guidance in addition to the accompanying leavers checklists covering all types of both staff and officer leavers. We confirmed from sample testing that payments made to leavers were limited only to overtime owed for hours worked during their final month or untaken leave commitments as expected.</p> <p>We also confirmed processes followed by the payroll team to minimise disruptions in the SAP system during the payroll processing periods were robust, noting numerous checks and communications are</p>	Advisory (no opinion)	3	3	0





Assignment	Opinion issued	Actions agreed		
		L	M	H
<p>made to ensure that teams including RMU know when SAP cannot be used. This helps to prevent overpayments occurring.</p> <p>However, through our review, we identified control weaknesses around the process of issuing invoices to leavers. We noted several instances where leavers were provided with multiple invoices and credit notes to reflect the adjustments made to balances, none of which were accompanied by a letter to explain why there were either balances and/or changes.</p> <p>In addition we noted letters are not sent to leavers in the first instance notifying them of a potential overpayment which will need to be recovered. We also noted several instances where the notification from BS to the Payroll department was made after the leaving date of the individual, with the longest time taken being 58 days increasing the risk that overpayments may occur and take longer to be identified, processed and communicated as required to recover them resulting in potential financial loss for the Force.</p>				

3 Remaining outstanding reports for the 2022/23 Internal Audit Plan

Assignment	Start date / Status	Draft report issued	Final report issued	Opinion	Actions agreed			Target JAC (as per revised IA plan*)	Actual JAC
					L	M	H		
Payroll	FINAL	various	29/11/23	Reasonable assurance	4	2	0	June 2023	December 2023

4 Summary of progress to date with the 2023/24 Internal Audit Plan

Assignment	Start date / Status	Draft report issued	Final report issued	Opinion	Actions agreed			Target JAC (as per IA plan)	Actual JAC
					L	M	H		
Firearms Licensing	FINAL	16/06/23	18/07/23	Reasonable assurance	3	1	0	September 2023	September 2023
Data Protection and Information Management	FINAL	23/08/23	08/09/23	Advisory (no opinion)	4	8	3	September 2023	September 2023
Operational Resource Management (RMU) – SAP duty management system	FINAL	25/08/23 and 12/09/23	04/10/23	Reasonable assurance	3	1	0	December 2023 (Sept 2023)*	December 2023
Payroll – processes for leavers	FINAL	12/10/23	21/11/23	Advisory	3	3	0	December 2023 (Sept 2023)*	December 2023
Performance Reporting	DRAFT	13/10/23						December 2023*	

Assignment	Start date / Status	Draft report issued	Final report issued	Opinion	Actions agreed			Target JAC (as per IA plan)	Actual JAC
					L	M	H		
Debt Collection and Recovery	DRAFT	14/11/23, 21/11/23						December 2023*	
Problem Solving	DRAFT	27/11/23						March 2024	
Investigative Wellbeing (JOINT)	Fieldwork in progress							March 2024	
Follow up	12/12/2023							March 2024	
Public Victim Contact	04/01/2024							March 2024	
Recruitment Compliance (PUP and General Officer Recruitment) JOINT	11/01/2024							March 2024 (December 2023)	
Procurement under £60k (Joint)*	12/01/2024							March 2024	
Outsourced Data Centre service management processes	16/01/2024							March 2024	
Treasury Management	16/02/2024							June 2024	

*see explanation below

Appendix A – Other matters

Changes to the audit plan

There have been the following changes to the 2023/24 plan since the last meeting:

Auditable area	Reason for change
Policing Cultures and Values now Procurement Under £60k	We reported to the last meeting that we were in discussion to replace the Policing Cultures and Values audit. This has now been replaced with an audit of 'Procurement under £60k arrangements'. The fieldwork will commence in January 2024.
Performance Reporting and Debt Collection and Recovery	We are in the process of agreeing management actions with management from the PFCC's Office and the Force for the Performance Reporting review and the Force for the Debt Collection and Recovery review, these final reports will now be presented to the March 2024 meeting.

The following changes were previously reported:

Auditable area	Reason for change
Operational Resource Management (RMU) – SAP duty management system	Due to staff availability within the RMU, the completion of the fieldwork was delayed. The final report will be presented to the December 2023 meeting.
Payroll – processes for leavers	Due to auditor annual leave and study leave, the completion of the fieldwork for this review was delayed and this report will be presented to the December 2023 meeting.
Policing Cultures and Values	Due to the Force being provided with assurance from other areas in relation to cultures and values, we have been asked to remove this review from the 2023/24 plan. We are in discussions with management regarding a replacement audit from the long list of audits that initially did not make the short list for 2023/24. Expected timing Q4.



Information and briefings

Since the last JAC meeting in September 2023, we have issued the following newsletters and briefing papers:

- Effective Audits Briefings Note September 2023;
- RSM Offensive Cyber Security Brochure; and
- Emergency Services News Briefing November 2023.

Quality assurance and continual improvement

To ensure that RSM remains compliant with the IIA standards and the financial services recommendations for Internal Audit we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews being used to inform the training needs of our audit teams.

The Quality Assurance Team is made up of; the Head of the Quality Assurance Department (FCA qualified) and an Associate Director (FCCA qualified), with support from other team members across the department.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

Post assignment surveys

We are committed to delivering an excellent client experience every time we work with you. Your feedback helps us to improve the quality of the service we deliver to you. Currently, following the completion of each product we deliver we attached a brief survey for the client lead to complete. We would like to give you the opportunity to consider how frequently you receive these feedback requests; and whether the current format works. Options available are:

- After each review (current option).
- Monthly / quarterly / annual feedback request.
- Executive lead only, or executive lead and key team members.

Appendix B - Key performance indicators (KPIs)

	Delivery				Quality		
	Target	Actual	Notes (ref)		Target	Actual	Notes (ref)
Audits commenced in line with original timescales	Yes	Yes**		Conformance with PSIAS and IIA Standards	Yes	Yes	
Draft reports issued within 15 days of debrief meeting	15 days	11 days		Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	Yes	
Management responses received within 15 days of draft report	15 days	18 days	Payroll for Leavers took 28 days	Response time for all general enquiries for assistance	2 working days	1 working day	
Final report issued within 3 days of management response	3 days	3 days		% of staff with CCAB/CMIIA qualifications /qualified by experience on audits	50%	86%	

Notes

** This takes into account changes agreed by management and Audit Committee during the year. Through employing an 'agile' or a 'flexible' approach to our service delivery we are able to respond to your assurance needs.



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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 Police, Fire and Crime Commissioner for Essex and Essex Police, 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.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

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

RSM UK Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.



POLICE, FIRE AND CRIME COMMISSIONER FOR ESSEX AND ESSEX POLICE

Payroll

Internal audit report 10.22/23

AC FINAL

30 November 2023

This report is solely for the use of the persons to whom it is addressed.

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.

1. EXECUTIVE SUMMARY

Conclusion

We confirmed some controls in place were well designed and operating effectively in relation to the system access controls within SAP and PTX and regarding the processing of starters and leavers including payments made to employees, with the relevant forms completed and payments made accurately and in a timely manner. We confirmed the monthly payroll was reviewed and processed accurately and in a timely manner and reviews were performed regularly on variances and on employee payment information to identify duplicates. We also confirmed regular reporting on the establishment is undertaken through the business intelligence system.

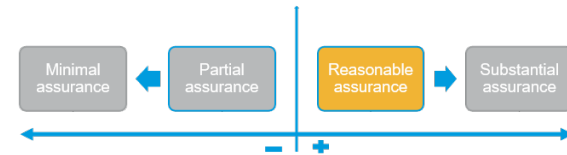
However, whilst we note the staffing issues (with the Payroll and Pensions Manager acting up into the Head of Payroll and Pensions role) during the period reviewed, we identified several instances where repayment plans could not be located for historic overpayments made with a total value of overpayments as at February 2023 being £176k.

We note that since the Head of Payroll and Pensions joined the Forces in 2023, improvements have been made to processes and processes that were temporarily dropped are in place again, ensuring the Force is back on the right trajectory to improve performance which had notably dipped during the period of staff resourcing issues which included the Payroll and Pensions Manger acting up to Head of Payroll and Pensions, and the three Payroll and Pensions Manager posts unoccupied (one vacant, one on maternity, and one acting up).

Internal audit opinion:

Taking account of the issues identified, the Police, Fire and Crime Commissioner for Essex and Essex Police can take reasonable assurance that the controls upon which the organisation relies to manage this area 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 area(s).



Key findings

We identified the following weaknesses which resulted in the agreement of two medium priority management actions:



Recovery of Overpayments

Through review of a sample of 20 overpayments (15 from current employees and five overpaid leavers) amounting to £81k from the list of outstanding balances as of February 2023, (which totalled £176k) we noted the following:

Overpayments made to current employees/pensioners

For the 15 overpayments made to current employees, we confirmed that in seven instances there was communication of the original amount to the individual retained on file and the amount communicated aligned with the balance originally recorded on SAP.

In the remaining eight instances we noted repayment plans could not be retrieved or deductions were not being taken at the time of our review.

We were informed that due to records being held by the previous Head of Payroll and Pensions, historic overpayments background is complex to retrieve and would involve several departments needing to be involved, including PSD. We were also informed that payroll cannot lawfully make deductions from current staff without written approval as it would be deemed an unlawful deduction of wages and therefore the Payroll team are reliant on the HR team obtaining agreement from the employee. We were informed that going forwards, the Force will ensure that repayment plans are retained on file for all overpayments identified where they cannot be paid in full.

There is a risk that overpayments will not be recovered if individuals are not made aware of the amounts owed with an agreed repayment plan put in place and subsequent deductions being made from payslips. **(Medium)**



Overpayments monitoring

We were not provided with evidence to confirm that the CFO had been made aware of the overpayment balance of £176k on the specific occasion for the position as at February 2023. Whilst the CFO will be made aware of individual cases of material overpayments, if the CFO is unaware of the ongoing balance of payroll overpayments, there is a risk that the accounts will not accurately reflect the amount due to be recovered which could have an impact on financial information reported and could also have an impact on decision making. **(Medium)**

We noted the following controls to be adequately designed and operating effectively:



Financial and Procurement Regulations

We reviewed the Financial and Procurement Regulations, effective 2021 and confirmed that they made clear reference to the capital programme including spending plans, overarching budgetary and monitoring responsibilities, and the requirement for the capital programme to be aligned to the Force's Medium-Term Financial Strategy (MTFS). We noted that the Regulations were made available to staff on the intranet and updates to the Regulations were signed off by the PFCC and the Chief Executive (CE) and Chief Finance Officer (CFO) from the PFCC's office in December 2021. Whilst we noted that no review date was outlined, we were advised by the CFO from the PFCC's office and Strategic Head of Performance and Resources that they will be updated in line with the Constitution which we noted is due for review in January 2024.



System Access

For a sample of 10 payroll system users, we confirmed all were current Payroll Team members through review of an up-to-date establishment report. We also confirmed permissions were assigned so that Payroll Officers only had admin level access to perform input tasks and Senior Payroll Officers and Payroll and Pensions Managers had manager level access allowing them to perform all payroll tasks within SAP.

We also reviewed a listing of current users with access to the PTX system through which the monthly payroll is processed and confirmed an appropriate role had been assigned in all but one case. We were informed by the Head of Payroll and Pensions that this was so this manager could set up other users during the systems implementation and we confirmed from an updated report that this was corrected during the review.

We confirmed through review of each roles permissions that only the System Administrator's Full Permissions role, the Kent and Essex CFO roles and the Head of Payroll role have permission to approve the payroll within PTX. We noted that the Head of Payroll can also create the payroll however they cannot submit and therefore one employee cannot process the payroll run.



New Starters

We selected a sample of 20 new starters to the Force since April 2022 and confirmed that a new starter Contract Details Form was completed in all cases with approval documented from a HR Adviser. We confirmed through review of the relevant payslip and the employees record on SAP that in all cases the new starter had been paid in a timely manner and at the correct pay grade in line with that documented on the new starter form. During the 21/22 payroll audit an action was agreed with management to evidence new starter forms as having been checked by an alternative member of staff, we confirmed this action has been implemented.



Leavers

We reviewed a sample of 20 individuals who have left the Force since April 2022 and confirmed that a leaver form was completed in all cases. Through review of the SAP system, we confirmed in 17 cases employees did not have a payslip produced after the month they left the Force. In the remaining three cases, we found the employee was paid after their leaving date, however through review of the relevant payslips we confirmed these were for items such as annual leave or additional overtime unaccounted for and did not include salary payments. We were unable to perform full population testing as we were informed a full report of payroll transactions could not be produced. During the 21/22 payroll audit an action was agreed with management to ensure the leavers date on the leaver form corresponds with SAP, we confirmed this action has been implemented.



Retirements

We reviewed a sample of 20 retirees (eight police staff and 12 officers) since April 2022 out of which the eight (staff) pensioners from our sample were paid solely by Essex County Council (ECC) and they were exempt from being input on the Force's system. We also noted one retiree (officer) who was not included in the pension scheme and as such was not applicable.

In the 11 remaining instances (officers) we confirmed that the pension calculation was produced for the monthly payment by ECC and the amount that was uploaded on the SAP system aligned. We also confirmed the amount paid in the first payslip following retirement aligned to the amount requested by ECC. We also confirmed that in each of the 11 instances where pensioners were paid by the Force, they had also been marked as retired on the system.



Voluntary and Involuntary Deductions

Through review of a sample of ten voluntary deductions since April 2022, we found the following in all cases:

- the deduction was supported by relevant documentation, such as a schedule from the third party; and
- the deduction amount as per supporting information reconciled to the actual deduction being taken (on the employee's payslip) where the amount was variable and not based on standing data in the system.

Through review of all 11 involuntary deductions which occurred since April 2022, we confirmed in all cases:

- the deduction was supported by relevant documentation, such as a letter from the Local Authority.
- the deduction amount from the individual's payslip and as per supporting information reconciled to the amount on the system; and
- the deduction had been processed in a timely manner.



Amendments

We reviewed a sample of 20 amendments processed on SAP since April 2022 consisting of internal transfers, change in pay, and changes in grade. We confirmed that the amendments were processed accurately within SAP in line with the request which was retained in the form of an email or application form in nine cases. For ten of the remaining cases, these related to annual increment awards and so did not require a checklist, request or approval.

For the remaining one, we noted that the individual was one of 45 who were subject to a transfer due to an internal restructure within Roads Policing which we confirmed through review of a spreadsheet detailing names for an internal transfer.



Advance payments

April – December 2022

We were informed that a record of advance payments requested and processed between April and December 2022 could not be provided and therefore we were unable to confirm that advance payments made prior to January 2023 were accurate or appropriately authorised.

We were therefore unable to confirm that advance payments paid between April and December 2022 were processed accurately and in a timely manner and with appropriate approval obtained during this period. As a result, there is a risk employees receiving advance payments were under or overpaid and that urgent payments were not made in a timely manner which may lead to detriment to the employee.

No action has been agreed for this risk given that a new process was introduced in early 2023 and we found no exceptions with this process. Please note however that we were unable to test advance payments between April 2022 – December 2022 as a record of any advance payments made between these dates could not be provided.

Jan 2023 onwards

We reviewed a sample of 10 advance payments and confirmed that in each instance, the advance payment was checked and approved by the appropriate individuals with segregation of duties applied. We confirmed through review of the supporting payslips that the payment was made in one month and then deducted in the following month in all instances. We confirmed through review of the Advance Payment Spreadsheet that all advance payments had been documented with the request and the corresponding completion.



Monthly Payroll Payments

We confirmed the payroll including a summary of variances was reviewed and approved by the Force CFO in December 2022, and January and February 2023 for the E1 and E2 payroll. In all cases, we confirmed the payroll was subsequently approved by through the PTX system and then sent

out for payment accurately and in a timely manner. We confirmed through review of the PTX system permissions that segregation of duties has been automated within the system.



Exception Reporting

We reviewed the payroll exception reports produced in November and December 2022, and January 2023 for the E1, E2 and E3 payrolls and confirmed variances had been investigated with narrative documented in a timely manner by a Senior Payroll Officer or Payroll and Pensions Manager in all cases. We confirmed through review of the monthly payroll checklist that exceptions were supported with rationale and had been approved by the Chief Finance Officer in all instances.



Establishment Reporting

We selected a sample of five divisions and confirmed that establishment reports were sent out to the senior leadership team for the five weeks between March and April 2023 automatically through the Business Intelligence system for the Continuous Improvement and Analytics, Local Policing Area West, Legal Department, OPC, and Contract Management divisions.



National Insurance Number Checks

We were informed by the Head of Payroll and Pensions that the Payroll Team do not check the validity of NI numbers as any incorrect or invalid numbers would be identified and raised by HMRC if identified by them. We were further informed no issues have been raised by HMRC regarding this during 2022/23. We were not provided with the HR Masterfile despite request and as such, we have been unable to perform data analytics to assess the validity of NI numbers as part of our review.

We were unable to test the full payroll data set through data analytics as we were not provided with all the information to complete the testing at the time of the audit.

We also agreed four low priority management actions which are detailed in section two of this report.

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.

Recovery of Overpayments		
Control	<p>The overpayments recovery process is cross-departmental and involves processes carried out by the Business Services (Finance and HR)), HR and Payroll and Pensions teams.</p> <p>For individuals who are still employed by the Force, a communication is first made to the individual to notify them of the amount due which aligns to the amount input onto SAP as an outstanding loan balance. An instalment plan is agreed where applicable and an agreed sum is deducted from the individual's payslip each month.</p> <p>For individuals who have left the Force, an invoice is created and provided detailing the amount overpaid, this is input onto SAP as a debtor and amounts recovered either in full or in instalments as agreed by the individual. When payments are received, SAP is updated to confirm this.</p> <p>There is currently no formal process in place to notify the CFO of the amount owed as a result of overpayments, although the CFO will be made aware of individual cases of material overpayments.</p>	<p>Assessment:</p> <p>Design ✓</p> <p>Compliance ×</p>
Findings / Implications	<p>We reviewed a sample of 20 overpayments (15 from current employees (at the time) and five overpaid leavers) from the list of outstanding balances as of February 2023. For the five overpaid leavers, we confirmed in all instances that the invoice was provided to the individual which notified the leaver of the amount outstanding, and this also aligned with SAP. We confirmed that the payment had been received in full or a repayment plan had been put in place with the agreed amounts being received (which we confirmed through review of bank statements) and SAP had been updated accordingly.</p> <p><u>Overpayments made to current employees / pensioners:</u></p> <p>For the 15 overpayments made to current employees, we confirmed that in seven instances there was communication of the original amount communicated to the individual retained on file and the amount communicated aligned with the balance originally recorded on SAP. However, in one further instance whilst there was communication made to the individual, the incorrect amount was referenced with a difference of £303. This amount had also been recorded in that individual's payment plan. We were advised that this was due to further adjustments having been made to tax, national insurance and pension amounts through the payroll.</p> <p>For the seven remaining instances we were not provided with any evidence to confirm communication as we were informed that either records do not go that far back, communication was not made to the individual or communication was made and the evidence cannot be located. In two instances, as we did not receive the original communication, we could not confirm that the loan balance aligned with that on SAP.</p> <p>We also reviewed two pay slips for each of the 15 individuals to confirm whether payments are being received. We noted in nine instances payments had not been taken in either payslip. In one instance this was because payments had not yet started and would commence beyond the timeframe of the audit, whilst in another, the overdue balance was being recalculated at the time of our review.</p>	

Recovery of Overpayments

However, in the remaining six instances, whilst the payslips were for the correct periods, we could not identify payments being taken. In all six instances a payment plan had not been agreed. In most cases, we were advised that records are not available but in two instances we were advised that a payment plan had either not been confirmed by HR or the individual concerned. In one instance, we noted that payments were being received but we were not provided with the agreed repayment plan.

We were informed that historic overpayments background is complex to retrieve and would involve several departments including PSD and there are some cases which are highly sensitive due to instances of gross misconduct. We were informed that payroll cannot lawfully make deductions from current staff without written approval as it would be deemed an unlawful deduction of wages and therefore the Payroll team are reliant on the HR team obtaining agreement from the employee. We were informed that going forwards, the Force will ensure that repayment plans are retained on file for all overpayments identified where they cannot be paid in full.

There is a risk that overpayments will not be recovered if individuals are not made aware of the amounts owed with an agreed repayment plan put in place and subsequent deductions being made from payslips. In addition, if the system does not align for the amounts overpaid, there is a risk that management information is inaccurate and unreliable, impacting decision-making with potential reputational damage if debts chased for recovery are inaccurate.

Overpayments monitoring

We were not provided with evidence to confirm that the CFO had been made aware of the overpayment balance of £176k on the specific occasion for the position as at February 2023. Whilst the CFO will be made aware of individual cases of material overpayments, if the CFO is unaware of the balance of overpayments, there is a risk that the accounts will not accurately reflect the amount due to be recovered which could have an impact on financial information reported and an impact on decision making.

Management Action 5	We will ensure that all overpayments made are supported by the relevant documentation including the initial notification to the individual and an agreed repayment plan where funds cannot be recovered in full.	Responsible Owner: Angela Hockley – Business Services Manager (HR)	Date: 31 January 2024	Priority: Medium
Management Action 6	The CFO will be made aware of overpayments balances on a frequent basis.	Responsible Owner: Hayley Ryder – Head of Payroll and Pensions	Date: 31 January 2024	Priority: Medium

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 risks:

Objective of the area under review

To ensure that staff are paid all monies due to them each month in a timely manner and that the organisation is correctly recording and accounting for its payroll costs.

The following areas will be considered as part of the review:

- Procedural documentation - Force Financial Regulations provide appropriate procedures and controls
- Access and authorisations - Access to the payroll system is only provided to appropriate officers
- Authorisers, including line managers and cost centres are maintained up to date within the system
- Starters notification from Human Resources – Input to payroll accurate and timely. New starters are approved.
- Leavers notification from Human Resources – Input to payroll accurate and timely. Leavers are not paid past their leaving date.
- Retirement notifications from Human Resources – Input to payroll accurate and timely
- Amendment notifications from Human Resources/Employee – Input to payroll accurate and timely
- Deductions – appropriate third-party documentation exists to support voluntary and involuntary deductions
- Urgent payments, advances, and overpayments – authorisation and appropriateness of payments
- Recovery of overpayments of salaries
- Exception reports – produced, reviewed, and acted on in a timely manner
- Payroll reports and payment – produced, reviewed, and authorised. We will agree these back to supporting bank statements.
- Establishment reports disseminated to managers
- Follow up of previous internal audit management actions
- Where appropriate, our work will incorporate the use of data analytics. This will include key tests including but not limited to:
 - A duplicate payment test to identify if any duplicate monthly payments have been made to employees;
 - A duplicate employee contact information and bank details test to identify whether duplicate entries exist in the system;
 - A test to ascertain whether leavers were paid their basic salary after their leave date;

- Whether payroll has 'spiked' for any employees including whether there are any significant deviations from normal employee payments, as these can indicate either an error in processing;
- A test to determine whether leavers have been paid after their leave date; and
- Whether National Insurance numbers retained on file are legitimate and valid.

NB – we were not provided with the data to be able to undertake data analytics for this review.

The following limitations apply to the scope of our work:

- The review will only consider staff paid through the payroll system and will only review those controls operating within the Force; this will not include a review of the payroll provider.
- 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 any recalculation of PAYE deductions.
- The audit will cover data relevant to the current financial year.
- We will not test the accuracy of National Insurance or pension deductions, or those amounts paid over to relevant third parties.
- We will not comment on the organisation's recruitment process.
- We will not cover expenses in this review.
- We will not substantively re-perform reconciliations.
- Testing will be completed on a sample basis from transactions within the current year.
- The results of our work are reliant on the quality and completeness of the information provided to us.
- 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.



POLICE, FIRE AND CRIME COMMISSIONER FOR ESSEX AND ESSEX POLICE

Operational Resource Planning (RMU) – SAP Duty Management System

Internal audit report 3.23/24

AC FINAL

4 October 2023

This report is solely for the use of the persons to whom it is addressed. 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.

EXECUTIVE SUMMARY - OPERATIONAL RESOURCE PLANNING (RMU) – SAP DUTY MANAGEMENT SYSTEM

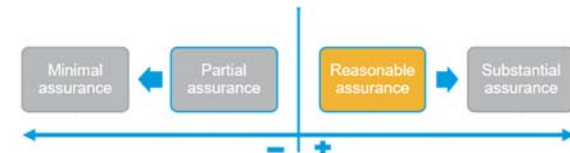
Conclusion

Overall, we confirmed that controls were generally well-designed and were operating effectively. We confirmed the presence of procedural documents such as the Annual Leave and Police Officer Postings Protocols and SAP User Guide. We confirmed that the training provided to new members of the RMU, as documented in 'RMU Knowledge and Information', offers an introduction to the unit's role and includes tutorials on essential SAP activities. We confirmed that regular discussions were being held within the Local Policing Team Resources, Establishment and Minimum Strengths Working Group meetings around how to maximise officer availability.

However, through our review, we identified a control weaknesses around the absence management processes. Through our analysis of staff absences, we noted several instances where the request was not made through SAP or SAP was not updated to reflect annual leave until after the date the leave had been taken.

Internal audit opinion:

Taking account of the issues identified, the Essex Police, Fire and Crime Commissioner and Essex Police can take reasonable assurance that the controls upon which the organisation relies to manage this area 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 area(s).



Key findings

We identified the following weaknesses which resulted in the agreement of one medium priority management action:



Absence Management

Through review, we noted that in six instances the absence requests were not submitted through the designated SAP self-service, we were informed that these were submitted via email or telephone. It was noted that urgent cases (less than 72 hours' notice) are made via telephone and then recorded on SAP in due course, to ensure that the impact of any last-minute leave is dealt with.

If absences are not recorded through the self-service app, there is a risk that the efficiency of RMU cannot be measured, and approval cannot be ascertained for leave requests. There is also a risk that units do not meet the minimum staffing requirements which could have an impact on staff health and safety. **(Medium)**

We noted the following controls to be adequately designed and operating effectively:



Policies and Procedures

Through review of the Annual Leave Protocol, effective February 2023, we noted that the document provided detailed guidelines for different types of leave, including sickness, compassionate leave and maternity leave. It also outlined procedures for unpaid annual leave, addressing its impact on bank holidays and pensions. We noted that references to the HR policy were made, and the document specified the protocol owner and author.

Through review of the Police Officer Postings Protocol, effective April 2023, we noted that the document provided detail around the processes and other factors to be taken in account when making decisions concerning the posting of police officers within the organisation with reference to the Police Regulations 2003.

We also reviewed the SAP User Guide and it was noted that the guide included a section on Planned-Worktime, offering instructions on displaying work schedules and periods. We noted that tutorials were provided for tasks such as creating/amending substitutions, shift planning, and re-rostering a public holiday rest day.

We confirmed that both Protocols and the SAP user guide were accessible to staff through a shared folder.



Minimum Staffing

We reviewed a sample of 20 officer absences from 13 units (comprised of six rest day in lieu, one public holiday, eight annual leave, three sickness, and two time off in lieu) between April 2022 and March 2023, and sought to compare the minimum number of staff required to be working in the unit against the number of staff rostered for each day of leave, and we confirmed in all 20 instances that the number of staff rostered to be working on the day of leave was in line with or in excess of the minimum number of staff required.



RMU Efficient Processing of Information

The administration turnaround time for SAP updates and annual leave applications is approximately three days, although this is not formally documented.

For a sample of 14 absences recorded on the system since April 2022, we noted that, on average, it took the RMU approximately 3.3 days to approve an absence request. However, it is worth noting that in one specific instance, the approval process took an extended period of 27 days. Through discussion with the Resources Manager, we found that this delay was primarily attributed to staffing shortages within the RMU.



Special Operations Resourcing

We reviewed an example of a special operation that was due to happen during 23/24. We confirmed through review of email correspondence between Operations Planning (OP) and RMU that this was communicated six months prior to the event. Out of the officers that RMU had provided for the special operation we confirmed through review of SAP that in each instance they had been changed on SAP five months prior to the event.

Through review of the system, we observed that OP have access to the folder that RMU use to store the excel spreadsheets with the allocation for each special operation.



RMU Staff Training

New members of the RMU receive a document called 'RMU Knowledge and Information' as their main source of guidance. We reviewed a copy of the RMU Knowledge and Information document, and through review we ascertained that the document contained the following:

- an introduction to Essex Police and the Resource Management Unit.
- a breakdown of the role of the RMU was also highlighted, constituting of expectations of the unit and their role in the Force,
- tutorials on key day-to-day activities within SAP such as searching for availabilities, substituting staff, splitting shifts, and restricting duties.

Through discussion with the Operational Manager, we also noted that there is no formal training that RMU staff members are required to complete. However, they shadow an experienced member of staff until they have the adequate understanding of the system to proceed working independently.



Governance

We confirmed through review of the meeting agendas and meeting summaries from the Local Policing Team Resources, Establishment and Minimum Strengths Working Group meetings from March, June and July 2023 that each meeting was chaired by the ACC. We confirmed through review that topics discussed included an update on meeting minimum strengths, opportunities on how to reduce leavers, actions for bank holiday staffing and how to maximise officer availability.

We confirmed through review of the action logs that actions were being identified in each meeting with a responsible owner assigned, we confirmed updates to actions were being provided at subsequent meetings to either close off the action or provide more context to further extend completion to the date of the next meeting.

We have also agreed three low priority actions which are documented in the detailed findings below.

Absence Management

Control When a member of staff which is duty scheduled requests leave such as annual leave, rest day in lieu, time off in lieu, and public holiday in lieu, this gets send over to RMU for approval. RMU will then check the SAP schedule for the period of time requested, and if the leave will not result in the team going below the minimum set up by the command, the request will get approved.

RMU has an informal target of three days for completing such requests. When a member of staff requests sick leave, this gets sent to HR, and does not require RMU to confirm it, as approval is granted automatically.

Assessment:

Design	✓
Compliance	×

Findings / Implications

Non-utilisation of SAP

In 14 instances, we noted that the requests for leave were made through SAP, however, in six instances (two rest day in lieu, one public holiday in lieu, and three annual leave), we were informed that absence requests were not submitted through the designated SAP self-service, but rather through email or telephone.

As such, we were unable to confirm the dates of the requests and subsequent approvals for these instances. We were informed by the Resource Manager that the reason why personnel would call or email their request in was due to an urgent amendment to their rota and we were informed by the Chief Inspector that if urgent leave is required within 72 hours, the Policy is to phone or email the request. However, through review of the Annual Leave Protocol, we could not see this referenced. We were informed that the 72 hour requirement is on the recorded phone line message for RMU when an individual phones in.

We noted that in one instance, the request was made one day before the absence date, and in another instance, it was made retrospectively by three days which is consistent with urgently required leave procedures. However, we noted for the remaining four that these were made between four days and 81 days before the absence date.

If absences are not recorded though the self-service app, there is a risk that the efficiency of the RMU cannot be measured and approval cannot be ascertained. If agreed procedures are not documented in the Protocol, there is a risk of inconsistent application.

Through discussion with the RMU Operations Manager we noted that absence requests are only approved if the leave will not result in the unit going below the minimum. Due to the capabilities of the system, we were not able to test requests which had been declined. However, were provided with an example of the process, which through review, we were able to confirm that RMU provided an explanation for declining the request. We have also noted that RMU can only amend the schedule of a planned worker without getting the worker's permission three months and 23 days in advance. Therefore, we were informed that when unavoidable absences occur, RMU do not try to find replacement on the day.

Absence Management

Delayed SAP Updates

In 17 instances we noted that SAP system updates were made before or on the absence day. Additionally in the remaining three instances, we observed that system updates for SAP were made after the designated absence date. We noted as a result that there were subsequent delays of one, three, and 23 days in updating the system to reflect the absences accurately.

The delays in SAP updates result in a lack of oversight for the RMU team, hindering their ability to promptly adjust schedules in order to meet minimum staffing requirements which could have an impact on staff health and safety.

Management Action 4		Responsible Owner:	Date:	Priority:
	We will reiterate the requirement for all absence requests to be submitted through the designated SAP self-service.	Greg Saddington	31 December 2023	Medium
	We will also reiterate the guidance on arranging emergency leave at short notice and expected timeframes for SAP to be updated once leave requests are entered.	RMU Operations Manager		
	This guidance will be disseminated to all staff.			
	The Protocol will be updated to reflect the procedure that annual leave required as urgent (within 72 hours) can be done via email or phone.			

APPENDIX C: 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 area:

Objective of the area under review

A review of how the Force ensures optimal resource planning. This will include a review of the SAP duty management system from an efficiency and effectiveness perspective, training provided, the timeliness of updating it, compliance with policies and procedures and completeness of information.

When planning the audit, the following areas for consideration and limitations were agreed:

The audit will consider the following;

- Documented policies and procedures are in place for effective resource planning, up to date and available to staff in Resource Management Unit (RMU) and Business Services (HR).
- How the RMU gathers information for planning on establishment etc to determine Force needs including the timeliness of receipt of this information.
- How the RMU ensures efficient processing of information and input of duties on to SAP in a timely manner for effective resource management.
- Processes in place for absence management, including annual leave, TOIL, bank holiday hours in lieu and booked training. Are there limitations to taking leave including staff awareness around this.
- For a sample of duties rostered in SAP (by RMU) for a sample of divisions, we will compare to actual duties booked as having been worked in the system (Storm and self-service SAP booking system). This will include a review of how inaccuracies are identified and rectified in a timely manner.
- Governance arrangements in place to challenge and discuss resourcing Force-wide including discussion of improvement initiatives and lessons learnt.

Limitations to the scope of the audit assignment:

- We will not confirm accuracy of data in SAP, only whether actual duties worked aligned with planned duties in SAP for a pre-determined sample period.
- We will not confirm the accuracy of source data.
- Any testing undertaken as part of this audit will be compliance based and sample testing only.
- The results of our work are reliant on the quality and completeness of the information provided to us.
- The review will not provide an opinion in relation to the design, configuration and operation of the systems used in the process. However, where we identify non-compliance with controls and/or processes where improvements can be made, these will be highlighted within our findings.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.



POLICE, FIRE AND CRIME COMMISSIONER FOR ESSEX AND ESSEX POLICE

Payroll Processes for Leavers

Internal audit report 4.23/24

AC Final

21 November 2023

This report is solely for the use of the persons to whom it is addressed.

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.

EXECUTIVE SUMMARY – PAYROLL PROCESSES FOR LEAVERS

Why we completed this audit and background

We undertook an advisory review of Payroll Processes for Leavers (officers and staff) as part of the approved internal audit plan for 2023/24. The objective of the audit was to allow management to take assurance that the current controls in place for the management of the leavers process are efficient and effective and are being applied consistently through various departments.

At the request of the Chief Finance Officer to the Chief Constable, we have also provided a process flowchart of the current process followed by the Force in Appendix A of this report. In the same appendix, we have also included a proposed process flowchart with additional steps introduced to reduce risks identified during the review.

During April 2023, the Force had 55 leavers of which 29 were police staff and the remaining 26 were police officers. Between June 2022 and June 2023, the Force issued 65 invoices to 56 leavers regarding overpayments (eight were issued more than one invoice) totalling £26k (note, this does not include the value of overpayments to existing staff / officers who repay any overpayments via instalments). During 2022/23, the Force had 257 leavers who were police officers.

When an individual is leaving, they input a leaver notification into Hornbill (the self-service HR system used by officers and staff at the Force) which sends a notification to Business Services (BS) to update SAP and begin completion of the relevant leavers checklist including a review of SAP to ascertain whether there are any outstanding balances that need to be paid to the leaver. These balances can arise from accrued leave or flexi working. Prior to 2023/24, BS would contact the Resource Management Unit (RMU) to obtain these calculations, however, since Q1 2023/24, BS gained access to the program used by RMU to determine the balances themselves as part of the process. In the case of an overpayment, BS liaises with the Payroll department to produce an invoice request that can be sent to the leaver. However, these invoices do not include a letter explaining the reasons for the overpayment.

During the processing of the monthly payrolls, the SAP system cannot be used by other teams including RMU and as such is unavailable for a period of time. To minimise this inconvenience, payroll produced a timetable with the payroll processing date for each month of 2023/24 to allow for planning around the downtime. Additionally, a message appears on the system for all users while the payroll run is in progress notifying the users that they should not use the system.

Our report is a factual report and does not provide a level of assurance or opinion.

Conclusion

Overall, we confirmed that controls were generally well-designed and were operating effectively. We confirmed the presence of procedural documents such as the Overpayment of Pay and Allowances Procedure and management guidance in addition to the accompanying leavers checklists covering all types of both staff and officer leavers. We confirmed from sample testing that payments made to leavers were limited only to overtime owed for hours worked during their final month or untaken leave commitments as expected. We also confirmed processes followed by the payroll team to minimise disruptions in the SAP system during the payroll processing periods were robust, noting numerous checks and communications are made to ensure that teams including RMU know when SAP cannot be used. This helps to prevent overpayments occurring.

However, through our review, we identified control weaknesses around the process of issuing invoices to leavers. We noted several instances where leavers were provided with multiple invoices and credit notes to reflect the adjustments made to balances, none of which were accompanied by a letter to explain why there were either balances and/or changes. In addition we noted letters are not sent to leavers in the first instance notifying them of a potential overpayment which will need to be recovered. We also noted several instances where the notification from BS to the Payroll department was made after the leaving date of the individual, with the longest time taken being 58 days increasing the risk that overpayments may occur and take longer to be identified, processed and communicated as required to recover them resulting in potential financial loss for the Force.

Key findings

We identified the following weaknesses which resulted in the agreement of three medium priority management actions:



Invoices Issued to Leavers

For a sample of 20 leavers where an overpayment of salary was made since July 2022, we obtained evidence of the notification made by BS to Payroll, as well as copies of the invoices issued. We were informed that in two cases, these had since been identified as having not been overpaid at all following further calculations and therefore, we have removed them from our sample testing and reduced the sample size to 18.

In 14 (of 18) instances we noted that there had been one invoice raised, stating the amount the leaver owed, which we confirmed was appropriate. However, in the remaining four instances the following was noted:

- In one instance, an individual was sent three invoices for different values of the same overpayment across a time period of three months;
- In another instance, a leaver was sent two different invoices with differing values across two months for one overpayment;
- In another instance, the individual was sent two invoices with a delayed credit note to cancel the first invoice being provided the week following the second invoice being sent; and
- In the remaining instance, the individual was provided with two invoices of differing values.

We were informed that the reason for the additional invoices raised was due to changes in the employee's records, or errors in the calculations. There is a risk of reputational damage for the Force when individuals are receiving several invoices and an increased level of administration which can reduce efficiencies. **(Medium)**



Letters Issued to Leavers

We noted that leavers were not provided with a preliminary letter informing them of the possible overpayment of salary and notifying them that a balance may be due prior to any calculations being made in all instances, nor were they provided with an accompanying letter from the payroll team to the invoice to explain the amount owed.

There is a risk that the Force may face reputational damage due to numerous and unexpected invoices being sent to leavers and no clarity provided for the reason for the overpayment. **(Medium)**



Timely Notification of Leavers

In 10 (of 18) cases reviewed we confirmed that a notification to Payroll was made by BS prior to the leaving date, with the earliest notification being 35 days and the latest being one day. For the remaining eight instances the notification made to Payroll by BS was after the leaving date of the individual, with the latest notification being 30 days after the leaving date. We calculated the days between the invoice being raised and the original notification made to Payroll made by BS. On average the process had taken 18 days to complete, with the longest time taken being 58 days. It is not clear whether the delay is due to the line manager not providing the notification in a timely manner or whether Business Services had not notified Payroll in a timely manner.

Due to the delays in SAP being updated for a leaver by BS or line managers, overpayments have occurred, which could result in financial loss to the Force. **(Medium)**

We noted the following controls to be adequately designed and operating effectively:



Overpayment of Pay and Allowances Procedure

We reviewed a copy of the overpayment of pay and allowance procedure which we noted was last reviewed in January 2023 and was therefore in date at the time of our review. Through review we noted that the document outlined the responsibilities of all police officers and staff in regard to the pay received. We noted that the Procedure outlined the process for the recovery of overpayments and stated that it was the responsibility of BS to do so, and included the minimum repayment amount. We noted that the document contained a flowchart which noted that outstanding balances are deducted from final salary, but if the amount exceeds the final salary, an invoice will be issued to recover the debt.

We also confirmed through review that the document was available to staff via the intranet.

Guidance for Managers

We also reviewed a copy of the guidance provided to managers in case one of their officers is thinking of transferring or leaving. We noted that the document contained standard expected notice periods, for staff members, as well as what managers should do where employees are thinking about leaving. We also confirmed that the document was available to staff via the intranet.



Checklists

We confirmed through review that the Force has a total of 12 checklists for use by BS staff covering both staff and officers for different types of leavers (transfer out (officers), retirement (staff and officers), resignation (staff and officers), staff redundancy, staff medical retirement, officer ill health retirement, dismissal (staff and officers) and death in service (staff and officers)). Through review of a copy for each type of leavers' checklist we noted that actions differed dependent on the type of leaver. We noted that all checklists covered requirements for the notification of leavers, updates in the system and also identified where payroll calculations were required to be undertaken (where applicable).



Payments to Leavers After Leave Date

We reviewed a sample of 20 leavers since April 2023 (five staff and 15 officers). For each leaver, we obtained the last payslip and through review, in 11 instances we noted that there was no salary paid to the leaver after their leave date as recorded in the payslip, only untaken leave/time off and overtime and other additional hours worked.

In the remaining nine instances we noted that salary payments had been made. Through discussion with the Senior Payroll and Pensions Officer we noted that in one instance, the salary pay was an adjustment to sick pay, and in the remaining eight instances the pay resulted from days worked during their last month which we confirmed through review (this related to overtime owed, untaken leave, and hours worked during the month of leave). We concluded that no overpayments had been made for the sample of 20 leavers reviewed.



Notification of Leavers

We selected a sample of 20 leavers from March 2023 (five police staff and 15 police officers). For each, we obtained evidence of the notification sent to the BS, copies of the checklists used to complete the leaver process, evidence of notification to RMU, their response, as well as any notification made to payroll.

Through review of the evidence, we ascertained that in 19 instances a notification was made to BS through Hornbill prior to the agreed leaving date of the individual on average of 40 days prior to the leaving date in 18 instances. In one of the remaining instances this was made one day after the leaving date and through discussion with the BS Manager we noted that this was due to an immediate resignation. In the remaining instance this was a dismissal and so timely notification was not applicable.



BS

We also compared the date of the first action completed on the checklists, against the notification date. We noted that BS had taken an average time of 12.35 days to complete any actions on the checklist, with the longest period of time being 82 days and the shortest being nil. In one instance notification was made to payroll concerning a resignation where leave had been overtaken. In this instance it had taken BS a total of 15 days to notify payroll from the date the notification was received through Hornbill. In summary, we noted no issues as all actions on the checklist had been completed prior to the leaving date in all instances and no overpayments had been made as a result.



Payroll Processing Checklist

We reviewed the proforma payroll processing checklist used by the payroll team prior to the payroll processing date. Through review of the checklist we noted that it contained key exercises such as producing leaver reports, variance checks for pay less than £3k, and net pay more than £6k, as well as running simulations of the payroll. We noted that the completion date was included for all tasks and this was prior to the cut-off date. Through discussion with the Senior Payroll and Pensions Officer we noted that these checks are undertaken prior to the payroll processing date to ensure that errors are found and addressed to minimise the downtime of SAP.



SAP Disruption Minimisation

We were informed that the payroll run (and the time in which RMU are asked not to use the system) usually takes between two and a half to three and a half hours, if no major issues arise during the payroll run, after this time, normal operations resume and the SAP system is available for use by both Payroll and RMU.

We undertook a walkthrough of the SAP system and confirmed that a notification is added on the system prior to the payroll run. This notification is used to alert the teams that use SAP not to amend anything during this time. The Senior Payroll and Pensions Officer also noted that a second message is posted once the payroll run is complete, this is used to notify staff members that they can amend SAP again making it clear when the system cannot be used by RMU staff.

Through review of the Essex Payroll Closedown calendar for 2023/24 that has been made available to payroll and RMU staff, we noted that it provides the processing date for each month of the financial year, allowing teams to plan in advance their use of SAP to minimise disruption.

We have also agreed three low priority actions which are documented in the detailed findings in section 2 below.



Further Observations

The officers are paid on 15th month and police staff are paid on 23rd month; the pay for the monthly salary is from the first day to the last day of the month. In both cases the payroll cut off is 5 working days prior to pay day. The issue that the force faces is that when payroll is run for officers it is effectively paying for 7 days worked and up to 24 days in advance, which in practice means that officers leaving the force on short notice are likely to be overpaid. The CFO would like to explore changing the date of officers payroll, but such a project could not be considered until the McCloud work is completed.

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.

Notification of Leavers

Control	<p>BS receives notification of the leaver through Hornbill (updated by either the leaver or their line manager). Prior to Q1 2023/24, BS contact RMU to confirm any hours that the leaver may owe to the Force. Since Q1 2023/24, this process has been changed and now BS have access to the information that RMU used to provide them with.</p> <p>If outstanding balances are found, notification to payroll is made to amend the current month's pay or to raise an invoice.</p>	Assessment:	
		Design	✓
		Compliance	×

Findings / Implications

Department Notifications of all Leavers

We selected a sample of 20 leavers during April 2023 (five police staff and 15 police officers).

Out of our sample of 20, in 12 instances we confirmed that BS contacted RMU, between 1 and 7 days and as such, we confirmed that this was an efficient flow of information between the two departments.

However, in the remaining eight instances, despite request we were not provided with sufficient evidence to confirm the dates and discussions held between BS and RMU.

Whilst we noted an overpayment had not been made in all 20 instances, there is a risk that RMU are not made aware of a leaver in a timely manner which could lead to delays in the process of calculating outstanding leave entitlements and could therefore lead to an overpayment.

Timeliness of Overpaid Leaver Notifications

For a sample of 20 leavers where an overpayment of salary was made since July 2022, we obtained evidence of the notification made by BS to Payroll, as well as copies of the invoices issued. We were informed that in two cases, these had since been identified as having not been overpaid at all following further calculations and therefore, we have removed them from our sample testing and reduced the sample size to 18.

Notification of Leavers

Findings / Implications In 10 cases out of the 18 reviewed, we confirmed that a notification to Payroll was made by BS prior to the leaving date, with the earliest notification being 35 days and the latest being one day prior. For the remaining eight instances the notification made to Payroll by BS was after the leaving date of the individual, with the latest notification being 30 days after the leaving date. We calculated the days between the invoice being raised and the original notification made to Payroll made by BS. On average, the process had taken 18 days to complete, with the longest time taken being 58 days. It is not clear whether the delay is due to the line manager not providing the notification in a timely manner or whether Business Services had not notified Payroll in a timely manner.

Due to the delays across the force in SAP being updated in a timely manner for leavers, overpayments have occurred, which could result in financial loss to the Force.

Management Action 1b	Management will review and improve the notification (of a leaver) process by establishing a clear timeline for BS to inform Payroll of the leaver's status before or on the leaving date as soon as practicable following the notification being received in Hornbill.	Responsible Owner: Angela Hockley, Business Services Manager	Date: 31 December 2023	Priority: Medium
	We will also produce a clear timeline for Payroll to send over an invoice request.			

Invoices and Letters Issued to Leavers

Control	Following the initial calculation of overpayments, if the amount owed by the leaver is calculated after the leaving date or after the payroll cut-off date (whichever occurs first), an invoice is issued the the leaver by BS which is subject to the normal debt recovery procedure.	Assessment:	
	Leavers are not provided with accompanying letters to such invoices to explain the variation or overdue balance.	Design	x
		Compliance	N/A

Findings / Implications Invoices Issued to Leavers
In 14 instances (of 18 reviewed), we noted that there had been one invoice raised, stating the amount the leaver owed, which we confirmed was appropriate.

However, in the remaining four instances the following were noted:

- In one instance, an individual was sent three invoices across a time period of three months. We noted that there had been one invoice on created in October 2022 for £203.83 which was then credited in full, with a second invoice being raised for £244 in

Invoices and Letters Issued to Leavers

- November 2022. The second invoice was credited in full, with a third invoice raised for £148 in December 2022. Through discussion with the BS Manager, we noted that this was due to an adjustment to the individuals flexi balance.
- In another instance, a leaver was sent two different invoices across two months. The original invoice was raised in November 2022 for £243 which was then credited. Another invoice was raised in December 2022 for £251. Through discussion with the BS Manager, we noted the adjustment was due to a recalculation of the final balance.
 - In another instance, the individual was sent two invoices with a delayed credit note to cancel the first invoice being provided the week following the second invoice being sent. The original invoice raised for £326 in February 2023 with an additional invoice raised in March 2023 for £427. The credit note to cancel the February invoice was not issued until one week after the March invoice. Through discussion with the BS Manager, we noted that the Senior Payroll Officer requested Payroll to cancel the original invoice raised on 15 February and to raise a different one.
 - In the remaining instance, the individual was provided with two invoices. The first invoice was raised in April 2023 for £616 with a credit note issued the following day to cancel it in full. A further invoice was then raised for the corrected amount of £515 the following day. Through discussion with the BS Manager, we were informed that the Senior Payroll Officer requested to Payroll a cancellation of the original invoice due to changes in the employee's records and the amount owed.

We noted that the reason for the additional invoices was due to changes in the employee's records, or errors in the original calculations.

There is a risk of reputational damage for the Force when individuals are receiving several invoices and an increased level of administration which is inefficient.

Letters to leavers

We have also noted that leavers were not always provided with a preliminary letter informing them of the possible overpayment of salary and notifying them that a balance may be due prior to any calculations being made, nor were they provided with an accompanying letter with the invoice to explain breakdown or reasons for the amount owed.

There is a risk that the Force may face reputational damage due to numerous and unexpected invoices being sent to leavers.

Management Action 2a	A standard letter will be produced to inform the leaver of a potential overpayment prior to their leave date, which will not state the amount owed. (This will allow the Force enough time to calculate the amount owed by the leaver).	Responsible Owner: Angela Hockley, Business Services Manager	Date: 31 December 2023	Priority: Medium
Management Action 2b	An accompanying letter will be sent with the invoice to the leaver (produced by Payroll) explaining the amounts owed.	Responsible Owner: Phil Trebill and Helen Miller, Payroll and Pensions Managers	Date: 31 December 2023	Priority: Medium

APPENDIX C: 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 area:

Objective of the risk under review	Risks relevant to the scope of the review	Risk source
Review of leavers processes being applied following the process through various departments including BS, RMU and payroll.	Payroll and Pensions Resilience	Strategic risk register

When planning the audit, the following areas for consideration and limitations were agreed:

The audit will consider the following;

- Documented policies and procedures in place for the processing of leavers by different departments including notification of leaver, updates in the system and payroll calculations. Up to date and available to staff.
- Payments made to leavers after their leave date, should be limited only to overtime owed and any untaken leave commitments and not standard salary payments.
- Timely notification of leavers by line managers to BS (HR) and HR to RMU and payroll. Including the impact of late notification and how this is minimised.
- How the Force ensures effective and efficient flow of information through the various departments for leavers prior to the payroll processing cut-off date for officers and staff.
- Processes for development of leavers letters and invoices (for o/s amounts owed) including calculations of leave and pay entitlements, including any recovery of overpayments made due to timing differences in the process.
- How the payroll team minimises disruptions in the SAP system for RMU during payroll processing periods due to dependencies within the system itself.
- As part of the review, we will seek to understand the dependencies between departments to produce a basic workflow of information from leaver notification from line manager up to developing a letter to be sent to the leaver containing payroll information.
- We will form an assessment on the efficiency and effectiveness of the overall payroll processes for leavers, recommending improvements where possible.