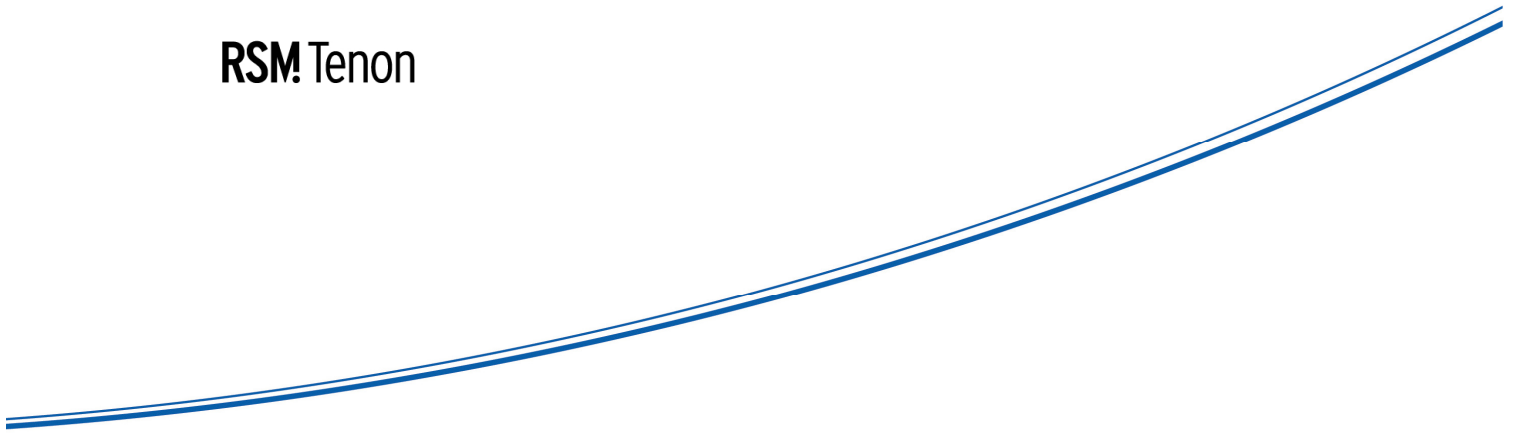


RSM Tenon



Leicestershire Police Authority

Payroll (including expenses)
14.09/10

Internal Audit Report
9 February 2010

FINAL

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Debrief meeting:	27 November 2009	Auditors:	Chris Harris - Partner
Draft report issued:	16 December 2009		Suzanne Lane - Client Manager
Responses received:	8 February 2010		Rob McCulloch - Auditor
Final report issued:	9 February 2010	Client sponsor:	Paul Dawkins - Financial Director
		Distribution:	Chris Smith – Treasurer Paul Dawkins - Financial Director



This review has been performed using RSM Tenon's bespoke internal audit methodology, **i-RIS**.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

This report is prepared solely for the use of Board and senior management of Leicestershire Police Authority. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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1 Executive Summary

1.1 Introduction

An audit of Payroll (including expenses) was undertaken as part of the approved internal audit periodic plan for 2009/10.

The Police Authority runs three separate payrolls at different times within the month. Police Officers are paid on the 15th of the month, Civilian staff are paid on the penultimate working day of the month and pensioners receive payment on the 1st of the month, in advance.

Pension schemes in place vary for police and civilians. Police have their own pension scheme. Employee deductions are set at 11% for the old scheme and 9.5% for the new scheme; new officers may only join the new pension scheme. Civilians can join the local government pension scheme which is administered by the County Council on behalf of the authority; employee contributions for this scheme vary dependent on the individual's salary.

Any input or amendments to data are carried out by staff within the payroll department. Information relating to starters and leavers is completed by a member of the Recruitment Department and passed through to payroll to process on the system.

Monthly monitoring of payroll budgets is undertaken. For police staff costs this is the responsibility of a member of the Finance Team. Civilian staff costs are monitored by the relevant manager. Regular meetings are held between Finance and the relevant managers/police officers to discuss any issues.

The objective of this review is to ensure that all payroll expenditure, including expenses and pensions relating to authorised employees, is accurately paid and is properly recorded and accounted for.

1.2 Scope of the review

The objective of our audit was to evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following limitations were agreed:

Limitations to the scope of the audit:

- The review has considered officers, staff and pensioners paid through the payroll system.
- We have not considered the appropriateness of payments made to staff, only that these are the correct amounts due to them.
- The audit has not included any recalculation of PAYE deductions.
- We have not tested the accuracy of National Insurance or pension deductions or those amounts paid over to relevant third parties.
- We have not commented on the organisation's recruitment process.
- We have not substantively re-performed reconciliations.
- We have not commented on the appropriateness of any expenses claimed.
- Testing has been completed on a sample basis from transactions within the current year.
- We have not reviewed the contractual arrangements for staff.
- We have not assessed the accuracy of the payroll, just the controls around the production of this.
- 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.

The approach taken for this audit was Key Controls Testing and included the following:

- Establishing the controls for which external audit intends to place reliance on internal audit testing.
- Reviewing the adequacy and application of the controls in place to mitigate the risks.

1.3 Conclusion

Taking account of the issues identified, in our opinion the Authority can take adequate assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective.

This assurance level has been formulated on the basis of conclusions drawn on the individual elements of design and application of controls in place:

	SUBSTANTIAL	ADEQUATE	LIMITED
DESIGN OF CONTROL FRAMEWORK		X	
APPLICATION OF AND COMPLIANCE WITH CONTROL FRAMEWORK		X	
OVERALL OPINION		X	

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are that the controls implemented are adequately designed and applied throughout this area with no fundamental or significant recommendations made.

1.4 Recommendations Summary

The following tables highlight the number and categories of recommendations made, showing which have been brought forward from previous audits. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

AREA	FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
PAYROLL (INCLUDING EXPENSES).	0	0	8

Recommendations implemented since the previous audit in this area:

DATE OF PREVIOUS AUDIT: 18 June 2009

RECOMMENDATION CATEGORIES	FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
NUMBER OF RECOMMENDATIONS MADE DURING PREVIOUS AUDIT	0	0	6
NUMBER OF RECOMMENDATIONS IMPLEMENTED	0	0	2
RECOMMENDATIONS NOT YET FULLY IMPLEMENTED:	0	0	4

We are pleased to note that 2 of the recommendations agreed at our previous audit have been implemented, and understand that implementation of the remaining recommendations is still under consideration.

2 Action Plan

The priority of the recommendations made is as follows:

FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
ACTION IS IMPERATIVE TO ENSURE THAT THE OBJECTIVE FOR THE AREA UNDER REVIEW IS MET	REQUIRES ACTION TO AVOID EXPOSURE TO SIGNIFICANT RISK IN ACHIEVING THE OBJECTIVE FOR THE AREA UNDER REVIEW.	ACTION IS ADVISED TO ENHANCE CONTROL OR IMPROVE OPERATIONAL EFFICIENCY

REF	RECOMMENDATION	CATEGORISATION	ACCEPTED Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
7	We have recommended at previous audits that a list of HR officers with their relevant responsibilities and authorisation levels be drawn up which was agreed by the Authority. However, it was considered that this would not be practical to have names as this can easily become out of date, and would rather job titles. Therefore a list of the information / data provided by HR to Payroll is produced and accompanied by the HR role which is authorised to provide it i.e. HR Officer, HR Practitioner etc	Merits Attention	Y	Agreed that a list of the information / data provided by HR to Payroll is produced and accompanied by the HR role which is authorised to provide it i.e. HR Officer, HR Practitioner etc	28/02/2010	Hazel Bell – Payroll Services Officer Ali Coulton – HR Workforce Planning Steve Smith – HR Business Solutions
12	HR should ensure that starter forms are passed to the payroll department in accordance with the agreed timetable.	Merits Attention	Y	Recruiting are responsible for sending new starter forms through. The payroll deadlines are known and as far as possible the recruitment team seek to have the new starter forms with payroll within the timeline. There maybe exceptional circumstances where this is not possible due to non return of details from the prospective employee but this is followed up and forwarded with an explanation to payroll.	Implemented	Ali Coulton – HR Workforce Planning
13	The Force should ensure that all leaver forms are	Merits Attention	Y	This process is already in place.	Implemented	Ruth Gilbert

REF	RECOMMENDATION	CATEGORISATION	ACCEPTED Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
	processed, should be initialled as evidence of having been checked.			evidence to support this.		Manager
31	<p>We have recommended in our previous three reports that the LGPS Service Level Agreement should be traced and thus be available in the event of any query.</p> <p>We note that no progress has been made in respect of this and therefore reiterate our recommendation that further efforts should be made to obtain the Agreement.</p>	Merits Attention	N	<p>A formal SLA does not exist between the LGPS scheme administrator and the Force. Whilst the LGPS Administration Regulations 2007 refer to SLAs between administrating and member bodies, their adoption is voluntary. Currently none of the member bodies of the Leics LGPS have a signed SLA. However, the LGPS Pensions Manager has produced a draft SLA which we will undertake to review to see whether there is any mutual benefit in proceeding with formal adoption.</p>	31/03/2010	Ruth Gilbert Head of Finance

3 Findings and Recommendations

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
1	Financial Regulations and procedure notes are in place which outlines the responsibilities and controls required for the payroll function, including pension schemes, and are available to all relevant staff.	Yes	<p>We have reviewed and filed extracts from the Financial Regulations and the Financial Procedures, and we confirmed with the Payroll Services Manager that these are up to date. The Financial Regulations were approved by the Finance and General Purposes Committee on 24 March 2009. These are detailed and provide clear guidance on the procedures and responsibilities in respect of the payroll & expenses function, including pensions. It was confirmed that they are available to all relevant staff through the Authority's intranet.</p> <p>There are also detailed user guides issued by the Authority's payroll provider, Mouchel, which we have reviewed under paragraph 3.</p>		
2	There is a signed Service Level Agreement in place which defines each party's responsibilities in managing the payroll process.	Yes	We have reviewed Service Level Agreement between the Authority and Mouchel Business Services Limited. The agreement is dated 2nd December 2008, for an initial term of three years, is signed by both parties and clearly sets out the responsibilities of each, including financial arrangements, service provisions and processing requirements.		
3	<p>Detailed user guides have been provided by Mouchel, the Authority's service providers, which outline the procedures required to operate the Mouchel payroll system. These are available to all payroll staff.</p> <p>A monthly checklist is completed for each payroll by</p>	Yes	<p>We have reviewed the Mouchel user guides and confirmed that they provide comprehensive guidance on how to operate the payroll system and that they are available to all payroll staff.</p> <p>We have reviewed the file of payroll task checklists and confirmed that these are being completed on a monthly basis for each payroll. The 'A' checklists are completed by the Payroll Services Manager and her</p>		

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
	the Payroll Officers as evidence that all the required procedures have been completed.		deputy, and the 'B' checklists, which cover deductions, are completed by other Payroll Officers and signed as reviewed by the Payroll Services Manager.		
4	There are timetables for the financial year which set out the relevant pay dates for all payrolls. These include the latest input dates, and processing and payment dates.	Yes	<p>There are timetables in place for the Staff, Officers and Pensions payrolls which include input, processing and payment dates. The Police Officers pay date is the 15th of the month, the Civilian Staff pay date is the penultimate working day of the month and the Pensioners pay date is the 1st of the month, paid in advance. These timetables have been agreed with Mouchel, the Authority's Payroll provider, who have a copy of these.</p> <p>There are also timetables covering overtime & expenses, payroll amendments (issued to HR) and an annual timetable showing key dates.</p> <p>The Payroll Services Manager confirmed that the Police diaries include the payroll dates (for Police Officers), and that the Areas have copies of the timetables which should be displayed at each site.</p>		
5	<p>Payroll staff have received appropriate training. In particular, this includes training in respect of Data protection, for which there is a documented policy.</p> <p>Payroll staff are familiar with the Act and in the event of any query they would consult the Payroll Services Manager or Data Protection Officer.</p>	Yes	<p>As confirmed at our previous audit, all payroll staff received training on the introduction of the Mouchel payroll system in 2008, with all staff attending the Mouchel Learning & Development courses receiving a certificate confirming completion of the course.</p> <p>The Payroll Services Manager confirmed that a Data Protection Policy is in place and that on joining the Authority this is covered as part of the employee's induction. An extract from the Data Protection staff guide, available through the Authority's intranet, has</p>		

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
			<p>been viewed demonstrating that comprehensive Data protection guidance is available to all staff.</p> <p>The Payroll Services Manager confirmed that if staff had any disclosure queries they should consult her or the Data Protection Officer.</p>		
6	<p>Documentation is securely held and retained for an appropriate period. The Data Protection Policy must be complied with.</p> <p>The Payroll Office is locked at all times when empty. The key for the office is held at reception and has to be signed for by staff when obtaining or returning it. The documentation is retained for 7 years.</p>	Yes	<p>As confirmed under paragraph 5, all staff are required to complete an induction process which includes Data Protection upon joining the Authority. The Service Level Agreement contains clear provision for adherence with Data Protection requirements, including a comprehensive Protocol which covers the use & misuse of data, Data protection & human rights, confidentiality and security amongst others.</p>		
7	<p>An authorised signatory listing is not maintained by payroll. The Financial procedures set out the principles of authorisation but do not include specific details.</p>	No	<p>The Financial Regulations set out the principles of payments to employees and their authorisation, but do not give precise limits or specific personnel responsible for authorisation. We have discussed with the Authority at previous audits whether options to ensure correct certification on payroll claims or other documentation should be considered, including issuing lists of specimen signatures. This was not agreed by the Authority on the grounds of impracticality, with hundreds of names that would have to be included, for example Sergeants who can authorise overtime, and minimum risk; the Authority is satisfied that</p>	<p>We have recommended at previous audits that a list of HR officers with their relevant responsibilities and authorisation levels be drawn up which was agreed by the Authority. However, it was considered that this would not be practical to have names as this can easily become out of date, and would rather job titles. Therefore a list of the information / data provided by HR to Payroll is produced and accompanied by the HR role which is authorised to provide it i.e. HR Officer, HR Practitioner etc</p>	Merits Attention

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
			<p>payroll staff can rely on the integrity of those authorising the claims.</p> <p>The Payroll Services Manager has confirmed that this is still the case, and that the Authority is satisfied that there are adequate compensating controls; the input of claims, expenses and other documentation has to be authorised, overtime reports, which can be printed for a specific period, usually monthly, or cumulatively, are reviewed regularly by area Financial Services Officers (FSO), and there are monthly budget reviews by senior management who would investigate any unusual payroll variances.</p> <p>We have also recommended at the previous three audits that a list of HR officers with responsibility for starters, leavers and other payroll amendments should be drawn up so that payroll staff can confirm that an appropriate signatory has signed the forms.</p> <p>Because of the practicalities of keeping a named list up to date the Force have agreed for a list of the information / data provided by HR to Payroll to be produced and accompanied by the HR role which is authorised to provide it i.e. HR Officer, HR Practitioner etc and we are happy with this amendment to the recommendation.</p> <p>The Payroll Services Manager confirmed that all forms should be signed although in urgent cases an e-mail would be accepted with the signed form to follow.</p>		
8	The payroll system is regularly backed up.	Yes	Responsibility for payroll back up procedures lies with Mouchel, the Payroll provider. In particular, the Service Level Agreement, requires Mouchel to 'maintain effective		

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
			<p>security to safeguard effective data', and under a business continuity clause are required to 'develop, maintain and test annually a Service Continuity Plan.'</p> <p>An extract from our draft 'Payroll Provider Processing' internal audit report, dated 14 August 2009, has been reviewed, showing that such a continuity plan could not be produced, and recommending that 'Mouchel should be required to provide' such 'assurance'. The Authority have agreed to liaise with Mouchel to ensure such documentation is available with an implementation date of 4 December 2009; in view of this, no further recommendation is proposed under this report.</p>		
9	<p>Adequate access restrictions to the payroll system are in place.</p> <p>Mouchel, the Payroll provider, set up and amend access to the payroll system through user profiles as advised to them by the Payroll Services Manager. Any requests for new or amended user access come to her from an appropriate source and she in turn liaises directly with Mouchel to effect the change, which is then confirmed by them. Access to the payroll system is set according to the user's responsibilities and requirements, with the level of access restricted where appropriate. A spreadsheet is</p>	Yes	<p>We reviewed the spreadsheet detailing the payroll users and the confirmed the controls over monitoring this data.</p> <p>It was confirmed with the Payroll Services Manager that all users are issued with a toggle key which provides them with a constantly changing numerical code. To gain access to the system the user is required to input the correct code; we examined the Payroll Services Manager's own key. In addition, each user must use their own personal password which must be changed every 40 days; an e-mail from Mouchel detailing the password policy has been filed.</p> <p>A report is also available showing the last login dates of system users and how often they have logged on, we found that the Payroll Services Manager reviews this periodically and users who have not logged in for some time or at all may have their</p>		

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
	<p>maintained by the Payroll Services Manager of payroll users.</p> <p>Mouchel provide the Authority with a report setting out user access details, allowing the Payroll Services Manager to review and confirm that these details are correct.</p>		<p>access revoked if not required.</p>		
10	<p>There is a timetable in place for the payment of PAYE, national insurance and pension contributions for 2009/10.</p> <p>Deductions from the payrolls, including LGPS payments, are subject to authorisation prior to payment being made for the deductions taken from salaries. Payments are to be made promptly.</p> <p>The payments for payroll deductions are collated by the PSM or her deputy and notified to Finance each month in line with the deadline set.</p> <p>The Corporate Finance department process the payments on a monthly basis with most payments made by BACS through the Bankline system.</p> <p>Control accounts are</p>	Yes	<p>We have confirmed by review of one deduction per month for 4 months, that statutory and voluntary payroll deductions (specifically pension contributions), are being appropriately authorised and paid over promptly by checking to the bank statements. The deadline for payments to HMR&C is the 22nd of the following month as the payments are made online, and the deadline for pension contribution payments is the 7th of the following month.</p> <p>We confirmed that these payments are prepared by a Finance Officer from a spreadsheet prepared by the Payroll Services Manager or Deputy Manager and checked by a senior member of the finance department.</p> <p>We have confirmed by review that payroll statutory and voluntary deductions control accounts are being maintained, reconciled and reviewed. It was confirmed that the control accounts are monitored as part of the monthly Performance Management process.</p>		

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
	<p>maintained for the various payroll deductions and these are reconciled either quarterly or monthly depending upon the type of account.</p> <p>Completion of the control accounts is monitored as part of the Performance monitoring completed in Corporate Finance, and is subject to review by the Finance Director.</p>				
11	<p>Pension information is issued to new staff either on commencement of their employment or soon afterwards.</p>	Yes	<p>The Payroll Services Manager confirmed that detailed information is issued to all new scheme joiners, including benefits, contributions and retirement. We reviewed the 'new' police pension scheme, introduced in 2006, including the contents, introduction, key features and the membership & contributions section; there was a similar guide for the 'old' police pension scheme. A similar guide for the Civilian staff pension scheme is sent directly to the employee from the County Council, but a form outlining the key points and including an option form.</p> <p>Employees are entered into the appropriate pension scheme automatically; they must specifically opt out if they do not want to be in the scheme.</p> <p>New police officers, who are only eligible to join the 'new' scheme, are also briefed on the scheme as part of their induction.</p>		
12	<p>Civilian starters are added to the payroll by the payroll department on receipt of a complete and authorised</p>	Yes	<p>We found that HR complete standard starter forms for all civilian staff. Police Officers are recruited in batches throughout the year with details passed to the payroll department in</p>	<p>HR should ensure that starter forms are passed to the payroll department in accordance with the agreed timetable.</p>	Merits Attention

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
	<p>standard starter form signed by the relevant HR Officer, which confirms the start date, grade of the post, starting salary, contracted hours and any additional allowances payable. Equivalent information is recorded on a spreadsheet for Police Officer intakes.</p> <p>Signed contracts are held for each member of staff, authorised by a HR Officer.</p>		<p>the form of a spreadsheet.</p> <p>We reviewed a sample of 15 new starters and found that they are notified to Payroll on either appropriately signed standard forms, or spreadsheet for Police Officers, and have been input correctly to the payroll system, with evidence of input and check by different Payroll Officers. We found that one form had not been initialled as checked which we have accepted as an isolated clerical omission.</p> <p>Three of the forms had not been passed to the payroll department in a timely manner, in accordance with the agreed timetable. There is a risk that incorrect payments may be made and that additional time and cost may be incurred to process these starters at a late stage of the payroll processing.</p>		
13	<p>Standard notice of termination forms are completed and authorised by the HR department. The termination forms include the leaving date and any remaining annual leave entitlement. Employees leaving the Authority are removed from the payroll.</p>	Yes	<p>We reviewed a sample of 15 leavers and confirmed that leavers are notified to Payroll by HR on appropriately signed standard leaver forms for both Police Officers and Civilian staff. The forms are signed by the relevant HR Officer and initialled by different Payroll Officers as input and checked.</p> <p>Two discrepancies were discovered on testing a sample of 15 leavers. For one, no standard form could be found although the accompanying email from HR was seen; this documentation had been scanned, with the original documentation destroyed, and it is believed by the Force that there would have been a leavers form but this must have been missed in the scanning operation.</p> <p>In another case, the leaving documentation had been completed, signed by the HR Officer and initialled as input by a Payroll</p>	<p>The Force should ensure that all leaver forms are retained or scanned and initialled as evidence both of input and check.</p>	Merits Attention

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
			Officer, but not initialled as checked.		
14	<p>Changes to employees' permanent payroll data are advised to payroll on standard authorised forms signed by the employee and relevant HR Officer as applicable.</p> <p>Once the details have been input, they are checked for accuracy of input. The documentation is initialled by the Officers who input and check the amendment; this is carried out by different officers.</p> <p>Amendments to standing data can only be undertaken by Payroll Officers who have the relevant access to the system.</p>	Yes	<p>From testing a sample of 15 payroll standing data amendments, we confirmed that payroll standing data amendments are generally received in the form of standard authorised forms, although depending upon the type of amendment there may be no 'standard' form as such but there will be a supporting email or letter appropriately authorised. For changes of personal details authorisation may not be applicable but the form should be signed by the employee.</p> <p>We also confirmed that only payroll department staff have access to process payroll standing data amendments and that the documentation is initialled both as input and as checked by different payroll officers.</p>		
15	All payroll BACS requests for processing are submitted in accordance with the documented timetable.	Yes	<p>We have reviewed the payroll BACS requests for 4 months of the current financial year later in our review and in all cases it was confirmed that the requests were submitted in line with the timetable.</p> <p>The department has its own BACS processing procedure notes.</p>		
16	<p>Annual Police Pay Awards are notified by the Home Office via the Police Negotiation Board, and Civilian payroll increases are notified by the Police Staff Council.</p> <p>The new rates are input to the payroll system by Mouchel, the Authority's payroll provider,</p>	Yes	We confirmed that the annual pay awards currently in place are the 2009/10 rates, effective from 1st September 2009, negotiated as part of a 3 year deal in 2008. The Police Officers pay increases are notified to the Authority from the Home Office via the Federation (Police Negotiating Board) and the Civilian Staff pay increases have been notified to the Authority from the		

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
	from spreadsheets emailed by the Payroll Services Manager, and these are subsequently checked by another Payroll Officer.		<p>Police Staff Council. There is no requirement for authorisation of these awards as they are agreed nationally.</p> <p>The Payroll Services Manager records the details on spreadsheets which are emailed to Mouchel, the Authority's payroll provider, for input to the payroll system. Other payroll Officers subsequently check that Mouchel have input these rates correctly. We have checked that the new salaries for two Police Officer ranks and two Civilian Staff pay scales have been correctly input and have been ticked as checked by a Payroll Officer.</p> <p>In addition, We reviewed examples of emails demonstrating the communication between the payroll department and Mouchel in respect of the input, checking and amendment of the 2009 pay awards.</p>		
17	There is adequate segregation of duties between the input process and the checking of data input by payroll staff, including the creating & removing of employee records, processing the payroll and making payments.	Yes	From earlier testing carried out, in particular on starters, leavers, standing data amendments and annual pay awards, we have confirmed that there is adequate segregation of duties between staff. One Payroll Officer is responsible for the payroll data input with the data checked by a different Officer, evidenced by the relevant documentation being initialled by both Officers. In addition, an appropriate HR Officer signs the forms which form the basis for much of this input, although as noted in paragraph 7 that the payroll department do not have a list of authorised HR signatories.		
18	Overtime and enhanced hours payments are made upon receipt of an authorised standard claim form.	Yes	We have tested 10 overtime and 10 enhanced hours claims, to check that all are supported by appropriately authorised claim forms.	<p>Enhanced hours claims for the Contact Management Centre should be authorised.</p> <p>One claim sampled had been incorrectly input and another not properly authorised; we accept</p>	Merits Attention

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
			<p>We found the following exceptions:</p> <p>There is no evidence of authorisation of enhanced hours claims for the Contact Management Centre (four of the ten enhanced hours claims sampled).</p> <p>For one overtime claim for the Operations department the hours had been incorrectly entered in the 'time and a third' column instead of the 'time and a half' column. The relevant manager has agreed to correct this.</p> <p>One of the enhanced hours claims for the Operations department had not been authorised although the accompanying batch input header had been.</p>	<p>that these appear to be isolated occurrences but stress the importance of ensuring that all claims are properly authorised, processed and checked.</p>	
19	Standard authorised forms are completed for travelling and subsistence claims. Where relevant, receipts are attached to the claims.	Yes	We tested a sample of 10 expense claims and all were supported by standard, appropriately authorised claim forms which agreed to the claim, with receipts attached where relevant.		
20	Claim forms (including overtime, enhanced hours and expenses) are examined by payroll staff to confirm that they have been completed, calculated and authorised correctly.	Yes	<p>All claim forms are entered to the payroll in batches, with a batch summary sheet produced. The batch totals are checked and agreed.</p> <p>For all claims tested under paragraph 18 & 19, the claims were supported by batch headers which had been signed as input and as authorised by different officers, except for the Contact Management Centre where no batch headers are used for the enhanced hours.</p>	All claims for the Contact Management Centre should be supported by batch headers, signed as prepared and as authorised for submission.	Merits Attention
21	Standard forms are to be completed and signed by those joining the pension schemes.	Yes	We have checked and agreed the set up of pensions for 15 starters in the year, covering both schemes, ensuring that the relevant forms have been completed, signed and dated and that the employees are members	HR should ensure that all 'Pension 1' forms are submitted promptly to LGPS. It should be considered whether to add a list of outstanding forms to the 'end of recruitment' checklist to aid	Merits Attention

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
	<p>The Pension contributions for new staff are confirmed to ensure that the deductions have been correctly coded on the payroll system.</p> <p>The system is unchanged in that new staff are automatically entered into an appropriate pension scheme and then have to opt to stay in or out of the scheme.</p> <p>She confirmed that one person sets up the new employee on the payroll system and allocates the appropriate pension scheme code to them, and another person checks this; they both initial the data input documentation as evidence of this.</p>		<p>of the appropriate scheme. We have also confirmed that there is separation of duties over input and checking of new employee payroll data, and that they are members of the correct pension scheme.</p> <p>However, it was noted that LGPS, the Civilian staff pension scheme, regularly chase the Authority for 'Pension 1' forms, and it is apparent that these are not always being submitted promptly.</p>	<p>the monitoring and chasing of outstanding forms.</p>	
22	<p>The rates for pension deductions for employees are based on an agreed percentage of the salary for each of the pensions in operation throughout the Force for Police pensions, New Police pensions and the Support Staff Pension scheme.</p>	Yes	<p>We have confirmed that the correct pension deductions are being made by checking for 15 starters in the year.</p> <p>By reviewing the pension schemes' standing data within the payroll system, we have confirmed that the correct contribution rates are being used for each of the pension schemes in operation. Our testing has also confirmed that new employee data is always checked by someone other than the person who inputs the data, helping to ensure that new staff are included on the appropriate scheme.</p>		
23	<p>Reports are run on a monthly basis to confirm the pensions</p>	Yes	<p>It was confirmed by the Payroll Services Manager that monthly spreadsheets are</p>		

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	deductions due for payment to the County Council.		<p>maintained that show the total voluntary payroll deductions payable, which include the monthly pension contributions payable. These are passed to Corporate Finance for payment and control account reconciliation purposes.</p> <p>An LGPS (for Civilian staff) monthly pensions deductions spreadsheet covering the current financial year to date has been reviewed. We have agreed the June 2009 total to the monthly total payroll voluntary deductions payment spreadsheet, which has been signed as checked and authorised, and to the bank statement. In addition, we have confirmed that the Pension deduction control accounts are reconciled on a quarterly basis.</p> <p>Note that pension contributions are not paid over in respect of the Police Officers pension scheme; these are accumulated over the financial year and set off against payments made to scheme pensioners with a net payment made for the balance from the Government to the Authority in the form of a top up grant.</p>		
24	<p>A spreadsheet is completed on a monthly basis to verify the payments passed over to the Administrators of the LGPS and is confirmed as correct by the PSM; the LGPS do not confirm the totals received but do raise queries where there are discrepancies.</p> <p>The Police Officers pension contributions are reconciled</p>	Yes	<p>The Payroll Services Manager confirmed that she ensures that the pensions deductions spreadsheet, is up to date and correct for the year to date and forwards a copy to LGPS each month. There is no 'reconciliation' as such as it is simply a record of the contributions due which should be the same as the subsequent payments. We understand that the LGPS then raise any queries as required on this.</p>		

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	on an annual basis.				
25	There is a timetable in place for the payment of pension entitlements.	Yes	<p>We have confirmed with the Payroll Services Manager that Police Officers are required to notify HR of their intention to retire at least 28 days prior to retirement to allow sufficient time to process the application and complete the associated paperwork; the payroll department would expect to receive details from HR as soon as possible after this but at least within 23 days of retirement.</p> <p>From our testing of 15 leavers under paragraph 13, we confirmed that all appear to have been notified to the payroll department promptly, except for one case, but this was for a 'casual hours' employee who is only paid on submission of a time sheet so the date of notification is not significant.</p> <p>It was confirmed that the pension booklets give further guidance on this time frame.</p> <p>Civilian pensions are administered by the County Council (LGPS), with information relating to civilian leavers faxed, emailed or posted to LGPS during the final month of the officer's employment.</p>		
26	Pension scheme members receive information confirming their entitlement on a periodic basis. Benefits statements are issued annually directly for Police pensions and by the County Council for civilian staff.	Yes	<p>The Payroll Services Manager confirmed that Benefit statements for the LGPS (Civilian staff) are issued annually directly from the County Council to the employees' home addresses. The 2009 statements have not yet been issued, though they are due shortly.</p> <p>She also confirmed that annual Personal Benefit statements, confirming members' continuing benefits and setting out other relevant information, are currently being sent</p>		

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			out for the Police Officers pension schemes for 2008/09.		
27	<p>A number of exception reports are produced for each of the three payrolls, Police Officers, Civilian Staff and Pensioners, which are reviewed by the Payroll Officers to identify discrepancies and correct them if necessary.</p> <p>The reports include instances where:</p> <p>Net pay is more than 30% different from the previous period, including employees with no pay in either the current or previous month;</p> <p>Police net pay > £2,500 and Staff & Pensioners net pay > £2,000 (Increased to £2,800 & £2,500 respectively from September 2009);</p> <p>A general report including exceptions relating to maternity or sickness pay, pension contributions, arrears and tax & NI.</p>	Yes	From a review of the exception reports for 4 months from the current financial year, we have confirmed that there is evidence that they have been reviewed and cleared by the Payroll Officers.		
28	The payroll BACS transmissions for each payroll run are checked and approved by nominated payroll staff and are transmitted to Mouchel, the Authority's payroll provider, for processing.	Yes	<p>By checking a sample of BACS transmissions to the payroll provider for four months for the three payrolls, we have confirmed that these have been checked and authorised by appropriate authorised payroll staff.</p> <p>In all cases the net pay agreed between the Payroll report, the BACS transmission report</p>	As recommendation previously the BACS pre-authorisation reports from Mouchel, the Authority's payroll provider, confirming the net pay amounts to be processed, should be initialled as evidence of having been checked.	Merits Attention

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			<p>to Mouchel, the Payroll provider who process the payroll, the pre-authorisation confirmation report from Mouchel and the bank statement. In all cases the BACS transmission report had been signed by an authorised signatory. Mouchel have been provided with an Authorised signatory form and a copy of this has been filed.</p> <p>Although we are assured by the Payroll Services Manager that the pre-authorisation reports from Mouchel are checked, these are not initialled as evidence of this. We recommended in our previous report that this should be done, which was agreed, and we thus reiterate this recommendation.</p> <p>We confirmed that the department also has its own BACS processing procedure notes.</p>		
29	Periodic reconciliations are undertaken between the HR and payroll databases to verify that the data held is correct.	Yes	<p>It was confirmed by review of the July 2009 reconciliation with one of the Assistant Accountants that he carries out full reconciliations between the Payroll (SAP) and HR (NSPIS) systems quarterly. This confirmed that discrepancies have all been investigated and amended where necessary. There are 3 schedules which show 'Full time equivalent' hours differences, employees appearing on the Payroll database but not the HR database and employees on the HR database not on the Payroll database.</p> <p>We found that the Assistant Accountant identifies these discrepancies and distributes the spreadsheets to Payroll & HR who investigate and add their comments, confirming correction of the discrepancies where necessary, and return the reports to the Assistant Accountant.</p>		

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30	Budgetary reports for payroll costs are produced monthly and distributed to all budget holders.	Yes	<p>We confirmed that payroll costs are monitored closely and are included in the monthly budget reports which are issued to Budget holders as part of the monthly reporting process. These feed through into the Finance Director's monthly budget monitoring report to COG (Chief Operating Group), the Police Authority and departmental heads. Through review of a sample of the reports we found that this includes significant payroll variances being identified and commented on where appropriate.</p> <p>We found that the Corporate Accountant monitors Police Officer payroll costs, a non devolved budget, with senior HR Officers through monthly meetings. The Corporate Accountant and the Trainee Accountant will monitor Civilian staff payroll costs, a devolved budget where budget holders are required to monitor budgets and costs, through regular meetings with area staff.</p>		
31	A Service Level Agreement is in place between the Authority and the County Council for the provision of the administration of the Local Government Pensions Scheme for civilian staff employed by the Authority.	Yes	<p>It was noted during the previous three audits that the Service Level Agreement (SLA) with Leicestershire County Council in respect of the local government pension scheme for civilian staff could not be traced.</p> <p>We have recommended in our previous reports that the Service Level Agreement should be traced and thus be available in the event of any query, and it was agreed that the Head of Finance would attend to this by 31 December 2009. The Head of Finance has confirmed that this is still her intention but due to other priorities no progress has yet been made; we thus reiterate our recommendation.</p>	<p>We have recommended in our previous three reports that the LGPS Service Level Agreement should be traced and thus be available in the event of any query.</p> <p>We note that no progress has been made in respect of this and therefore reiterate our recommendation that further efforts should be made to obtain the Agreement.</p>	Merits Attention

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			The Payroll Services Manager confirmed that if she has any queries she has a contact at the County Council with whom she would discuss any issues.		