

<b>Audit</b>	<b>Payroll (draft)</b>
<b>Assurance Opinion</b>	<b>Limited Assurance</b>
<b>Overall Risk</b>	<b>High Risk</b>
<b>Introduction</b>	
<p>Testing of key financial systems such as payroll enables External Audit to place reliance on the integrity of the Force's financial systems, to produce accurate information for the financial statements.</p> <p>It also allows Internal Audit to ensure that key financial systems are being covered and to support an annual opinion on internal control. It should also give management assurance that these systems continue to operate properly.</p> <p>Oracle Payroll, the final module to be implemented as part of a fully integrated ERP solution went live in April 2017. Previously the force's outsourced payroll provider was Midland.</p>	
<b>Main Findings</b>	
<p>The audit had already been delayed till the end of the financial year due to a lack of capacity within the payroll team to accommodate the audit. The payroll team had been supported by temporary resource, however 3 members of the team left at the end of March and the 3.5FTE recently recruited had yet to agree start dates. The lack of available resource impacted on the completion of the audit and only partial testing was completed as a result of the critical lack of capacity to support the auditor to complete the fieldwork at financial year end. It is understood that KPMG in their capacity as external auditors had also delayed planned payroll work as a result of the lack of capacity within the team.</p> <p>Although the Finance Manager for Payments, Payroll and Purchasing advised that there are some procedure notes available to the team, these are not comprehensive and did not appear to be in use at the time of the audit. Individuals within the team were observed referring to their own handwritten notes. Considering the imminent arrival of 3.5FTE new to the team it is vital that comprehensive procedure notes/guidance manual is available to support efficient and consistent working practices, particularly as maturity to Business as Usual is yet to be achieved since the function was brought in house and the introduction of the new payroll system in April 2017.</p> <p>Following the recent departure of three members of the team, limiting the opportunities to shadow or consult with experienced members of the team, it is vital that there is an effective training programme in place to ensure that the new recruits have or are developing appropriate skills and experience. Management will then need to ensure that new recruits are appropriately supported, supervised and are developing in line with this agreed training programme.</p> <p>The auditor was advised by the Senior Finance Officer (Payroll &amp; Payments) that the payroll function has not yet had the spare capacity and resource to develop performance data. Whilst it is understandable that as a result of the challenges faced by the team since 'Go Live' in April 2017, there has been a focus on trying to ensure that payroll is processed promptly and accurately, the lack of relevant performance data means that management are unable to properly identify and focus on areas where problems or errors are arising, or re-occurring, and if and how improvements and efficiencies can be made.</p> <p>As a result of the volume and seriousness of some of the payroll errors reported of anecdotally, the Assistant Chief Officer (Resources) had felt unable to sign off the closure of the payroll project. Whilst it was identified that in some instances the errors reported were as a result of human error, the lack of robust performance data, particularly in relation to the volume, type and reason for payroll errors means that management are not yet assured that the Oracle payment system is functioning as intended and that payroll errors are not as a result of Oracle failures which have yet to be rectified.</p> <p>At the time of the audit, the payroll team were unable to access transactional data to allow the auditor to select appropriate testing samples. As a result, there is limited assurance from the completed audit testing as this had to be restricted to testing from source documentation only. Key controls in relation to tracing transaction back to supporting authorised documentation/requests could not be tested.</p> <p>As noted above, the auditor was unable to complete adequate audit testing as a result of the lack of available transactional data. However, some testing was performed from source documentation received from HR in relation to starters, leavers and changes. Overtime and bank detail changes were also tested. The overtime sample contained one claim relating to a missed overtime claim in July 2017 which had apparently occurred as a result of a number of claims being missed off the uploaded spreadsheet. The auditor's request for further information in respect of this upload failure was outstanding at the time of the audit report. In general testing, limited as it was, proved satisfactory. Testing in relation to Statutory Deductions and RTI (HMRC return) could not be completed due to lack of suitable available resource at the time of the audit to assist the auditor.</p>	

There is limited assurance in respect of the operation of the payroll function at Humberside Police. A follow up audit will be undertaken later in 2018/19.

#### Recommendations and Management Action

Twelve recommendations were made, one fundamental and five significant, including:

- In line with usual management controls, there should be a periodic review of payroll team capacity and demands (including resilience/contingency to cope with absence and consideration of fluctuations in demand occurring for example as a result in uplift of student officer intake, known pay reviews/restructures etc).
- A comprehensive procedure note/guidance manual should be developed to support efficient and consistent working practices. This is particularly vital since the recent recruitment of 3.5FTE's to the team and the fact that maturity to Business as Usual is yet to be achieved.
- Consideration should be given to developing a training programme to provide assurance that team members are adequately skilled and are developing relevant experience.
- The payroll team should develop a suite of appropriate and relevant Key Performance Indicators (KPI's). The KPI's should increase assurance that management can accurately determine the materiality of issues affecting payroll and particularly to identify and address the root cause of payroll errors and/or omissions.
- Payroll management should continue to liaise with the project manager regarding Oracle issues affecting the integrity and efficiency of the payroll process.
- Payroll team management should ensure that the circumstances surrounding the July 2017 overtime claim failure has been investigated and where appropriate, additional controls have been considered to ensure that future overtime claim uploads are completed fully and successfully. These controls should include a reconciliation of total transaction numbers and total value. Where variances are identified, these should be promptly investigated and rectified accordingly.