# Internal Audit Report
## *Lincolnshire Police – Police and Community Support Officer shift allowances*

DRAFT

**Date: 1st October *2013***

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# Introduction and Scope

Lincolnshire Police carried out a review of the Police and Community Support Officer (PCSO) shifts and allowances in preparation for a consultation on shift patterns and responsibilities. This exercise identified that PCSOs have been paid incorrect shift allowances since the role was introduced in 2003.

Audit Lincolnshire was requested to carry out an independent audit of the HR and Payroll processes in August 2013 to provide assurances that the Force has taken appropriate action and systems and controls will prevent reoccurrence.

The Force HR and Payroll functions have already completed an extensive recalculation exercise to determine the value of the underpayment – these calculations relate to those PCSOs still currently employed by Lincolnshire Police. This work has identified a liability of approximately £1.1 million, which has been included as a provision in the financial accounts.

Our review included those systems associated with the payment of shift allowances (HR, payroll and shift system). Though our focus was the PCSO staff group, we planned to determine whether this is a systemic issue and establish whether there is a risk other staff groups may be affected. We aimed to determine, where possible:

- what caused the discrepancies
- why the errors were perpetuated
- whether all appropriate action has been taken
- the risk of reoccurrence

# Executive Summary

**Assurance Opinion- Limited**

Our findings confirm that the key factor in the PCSO underpayments was an error that occurred when assigning the shift allowances to the original PCSO shift patterns during implementation in 2003.

The error was perpetuated as terms and conditions were copied from the original incorrect calculation for subsequent PCSO appointments and shift pattern changes instead of reassessing the allowances against the qualifying criteria.

There are other staff groups working to a shift system (excluding Police Officers). Although we did not find any incorrect allowance calculations when testing other staff groups we advise the Force reviews the salaries, allowances and shift patterns for other shift workers to provide the necessary assurance that there are no further liabilities.

We found inconsistent practice and poor communication between the Neighbourhood Policing teams, the Resources Management Unit, Human Resources and Payroll. These issues stemmed from the lack of end to end process, control and written procedures governing shift pattern changes. The risk of reoccurrence although much reduced following the discovery of this error, will remain until procedures are formally documented and communicated.

We reviewed a 10% sample of the calculations relating to the PCSO back pay and, with the exception of some queries that payroll subsequently investigated and resolved, all were found to be satisfactory.

When the PCSO role was introduced the 'Police Staff Council Pay and Conditions of Service Handbook' was used to calculate the allowances due to the PCSOs. The handbook gives the criteria for qualifying irregular hours allowance and shift allowance:

- 7.5% allowance applies when an average of at least four but less than eight irregular hours[1] per week calculated over the working cycle

- 14% allowance applies if at least half of the shifts in the cycle include some unsociable hours[2] and the Period covered by shifts[3] is over 14 and less than 18 hours

The original shift pattern was made up of 20 shifts which included 4 at weekends and a further 8 during the week which included some unsociable hours. As such at least half of the shifts in the cycle included some unsociable hours and the PCSOs qualified for the 14% shift allowance.

The calculation would have been made by Human Resources (HR), but there have been numerous staff changes since 2003 and there is no paperwork to support the original workings. A theory suggested by the current HR employees is that weekends may have been excluded from the calculation due to a misinterpretation of the Handbook. This meant that less than half the shifts would have included unsociable hours and consequently, only the 7.5% (irregular hours) allowance was awarded.

As current HR staff were not involved in the original calculation we were unable to substantiate this theory; however it is a feasible explanation. This error was applied to all PCSOs and as more were recruited they were placed on the same terms and conditions without revisiting the qualifying criteria, thus compounding the error.

We found that over time different shift patterns were developed to accommodate flexible working requests – these were agreed locally within Neighbourhood Policing Teams and implemented without considering the potential impact on the shift

[1] An Irregular Hour is defined as before 0700 or after 1830
[2] Unsociable hours is defined as weekends, nights and irregular hours
[3] The period of time between the earliest start time and the latest finish time

allowances. The lack of end to end process and written procedures covering shift pattern changes exacerbated the problem and reduced the possibility of discovering the original error at an earlier opportunity. This control weakness also resulted in the development of over 70 different shift patterns during the ten year period – a complication which has been addressed through the recent consultation process.

The Force has not carried out full testing of other groups of shift workers that could be affected in the same way as the PCSOs. Management cannot therefore be assured that further liabilities do not exist. We checked a sample of employees who work shifts and did not identify any further errors. However, we recommend the Force reviews the salaries, allowances and shift patterns for all other shift workers to provide assurances that no other liabilities exist.

An allowance shift calculator is now used which should reduce the likelihood of paying incorrect allowances. We found that the qualifying criteria for a rotating shift allowance differed to the national agreement defined in The 'Police Staff Council Pay and Conditions of Service Handbook'. We are not clear about the reason for this but we understand it links back to a 2005 local pay and conditions agreement. We advise the Force consults over whether to continue with this local agreement or move to the national pay and conditions.

The Force has carried out an extensive and complex recalculation exercise going back over a 6 year period (which Legal Services advise is the generally understood time limitation) – the exercise included a robust validation process which has resulted in verifiable and generally reliable back pay figures.

We reviewed a 10% sample of PCSO payments recalculations. We found one discrepancy relating to the use of an old salary rate which had a minor effect on the back pay sum. The payroll team corrected this error and checked all other 149 current PCSOs for the same issue, which identified one more occurrence; this was also corrected. Our testing results, together with the validation processes adopted by the Payroll team, provide a reasonable assurance over the accuracy of the recalculations.

We would like to thank Antony Tomlinson, Alun Jones, Suzanna Smith, Emma Willey, Adrian Taylor and Nick Ward for their assistance in conducting our audit review.

# Management Response

The error regarding the PCSO shift allowances is an historical issue which the Force has identified and undertook to resolve in a fair and timely way. This audit review has made further recommendations to improve our processes, controls and written procedures and we are committed to addressing these, as detailed in the agreed action plan.

The planned 2014 introduction of the T Police Electronic Resource Management system, integrating the Resource Management Unit, Human Resources and Payroll functions, will improve work flows, system and cost controls and will identify and effectively manage any future changes to shift patterns.

We have assigned responsibility for the implementation of all agreed actions and aim to complete all this work by 31 March 2014. We are confident that these measures will provide the requisite assurances and reduce the risk of reoccurrence.

| **Management Actions** | **No** | **All to be completed by:** |
|---|---|---|
| High Priority | Three | 31 March 2014 |
| Medium Priority | Two | 31 December 2013 |

# Findings, Recommendations and Agreed Actions

| No | Findings | Recommendations | Agreed Actions | Priority | Responsibility & Timescale |
|---|---|---|---|---|---|
| 1 | The force has not carried out full testing of other groups of shift workers that could be affected in the same way as the PCSOs. As such management cannot be assured that further liabilities do not exist.<br><br>Our sample tests included:<br><br>• Force control room staff<br>• Scene of crime officers<br>• Speed reduction officers<br>• Criminal justice staff<br><br>We did not identify any instances of the error occurring in our sample but it did identify several variances between RMU and payroll data in relation to shifts, which arose due to informal personal arrangements between individuals and their line manager. This increases the possibility of someone receiving incorrect pay, as their actual hours worked are not aligned to their contracted ones. | We recommend that the Force carries out a further review of salaries, allowances and shift patterns for all other shift workers.<br><br>Most other shift workers have transferred to G4S, however, both G4S and the Force need to understand the impact of any errors and to establish whether further payments are due. | A review of the Police Staff within Lincolnshire Police that work shifts, will be undertaken to ensure that all shift related entitlements and payments are correctly applied.<br><br>Following the above, if anomalies are found, then rectification arrangements will be implemented and payment made in the next 3 months.<br><br>A review of G4S Departments employed staff on Lincolnshire Police Terms and Conditions will also be undertaken, to ensure that all shift related entitlements and payments are correctly applied. | High | Head of HR Shared Services; RMU Manager and Exchequer Services Manager – by 31.12.2013<br><br>Head of HR Shared Services; RMU Manager and Exchequer Services Manager – by 31.03.2014 |

| No | Findings | Recommendations | Agreed Actions | Priority | Responsibility & Timescale |
|---|---|---|---|---|---|
| 2 | The Force now has a shift allowance calculator which should reduce the risk of future incorrect allowances. However we found the criteria for calculating rotating shift allowances differed from the national agreement defined in the 'Police Staff Council Pay and Conditions of Service Handbook'.<br><br>The Exchequer Services Manager subsequently identified that this difference is due to a local agreement on shifts, agreed in 2005.<br><br>There is the potential for this to cause confusion. | The Force should consider and consult over the merits of continuing with the local agreement or align the conditions to the national agreement defined in The 'Police Staff Council Pay and Conditions of Service Handbook'.<br><br>If a change is agreed, the shift allowance calculator should be amended to reflect the decision. | It has been agreed by Lincolnshire Police that the current local agreement be removed, following appropriate consultation, so that it ceases to exist as at midnight on the 03/11/2013 and National Police Staff terms and conditions be adopted with effect from 04/11/2013 for corporate consistency.<br><br>Moving to National Police Staff terms and conditions on 4th November 2013 will require a re-assessment exercise for all staff who currently receives a 7% shift allowance to see whether they now met the criteria to increase to 14%.<br><br>The Shift Allowance Calculator to be reviewed and amended to reflect the agreed changes. | Medium | HR Director – Letter to UNISON by 11.10.2013 to commence the formalities.<br><br>Exchequer Services Manager - This re-assessment exercise will be completed by the end of December 2013.<br><br>HR Business Partner by 31.10.2013 |

| No | Findings | Recommendations | Agreed Actions | Priority | Responsibility & Timescale |
|---|---|---|---|---|---|
| 3 | HR, RMU and Payroll have a business process for managing shift changes, once the information has been provided by the Force. However, we were told that at times there has been an inconsistent process between the Force providing decision confirmation to HR. This has affected the onward impact assessment and business processes, which need to be addressed.<br><br>Discussion with the Head of HR Shared Services confirmed that full written procedures for each element of the 'employee life cycle' are not in place for several HR processes and this is something to be addressed.<br><br>The lack of clear procedure is producing a varied approach to managing shift changes and communication to the necessary departments is not always effective. As such there is the potential for future errors relating to shift payments. | The Force needs to formally document the process for managing shift pattern changes and other key HR processes.<br><br>The procedure notes or process flows should clearly define the responsibilities, processes and key controls within the Neighbourhood policing teams, RMU, HR and Payroll.<br><br>Once procedures are in place the Force will need to introduce mechanisms to ensure these are embedded and complied with. | It has been agreed that the current process needs to be reviewed and a corporate process implemented, together with a review of the formal documentation to audit the decision making process.<br><br>Whilst this review takes place and it completed, a “freeze” on new shift change requests has been implemented. | High | HR Operations Team, by 30.11.2013. |

| No | Findings | Recommendations | Agreed Actions | Priority | Responsibility & Timescale |
|---|---|---|---|---|---|
| 4 | We were unable to identify any spot checks or routine validation work on the PCSOs allowances over recent years.<br><br>Spots checks and validation work are operational detective controls for ensuring system compliance and accuracy of data. Without such mechanisms the Force has missed opportunities to identify and resolve the issue sooner. | We recommend that the Force introduces a routine internal validation exercise to provide management assurance over the accuracy of the payroll. This will help early identification of any errors that can be promptly rectified. | It has been agreed that quarterly routine checks will be implemented to review a sample of shift changes made in the reporting period, of staff in a risk related role [i.e. a PCSO role and one other role]. | High | HR Support and Systems Manager; RMU Manager and Exchequer Services Manager – commencing in January 2014. |
| 5 | The shift allowance calculator is not currently applied to every single new starter or shift pattern change. We also noted that the audit trail does not show who carried out the calculation and there is no evidence of independent check.<br><br>There is a risk that errors may be made, go undetected and be replicated and applied to other employees. | We recommend the calculator tool is used for all new starters and future approved shift pattern changes.<br><br>We also advise that the shift allowance calculator is enhanced to include evidence of who completed the form and who reviewed the calculation to confirm its accuracy. This will prompt compliance and provide a suitable audit trail. | As outlined in Point 2 above, the Shift Allowance Calculator to be reviewed and the supporting documentation check list to reflect the agreed and recommended changes. | Medium | HR Business Partner, by 31.10.2013. |

| No | Findings | Recommendations | Agreed Actions | Priority | Responsibility & Timescale |
|---|---|---|---|---|---|
| 6 | Discussion with the Exchequer Services Manager confirmed that the Force plan to write to all ex-employees who were a PCSO at some point between 2003 and 2013 to invite them to apply for a back pay calculation. We also noted that that the Force did not intend to deduct or make pension contributions on any claim from former employees. | We advise that ex-employees are informed of the Force's intention for back-pay to be non-pensionable. | It has been agreed that ex-employees will be advised that any entitlement to a payment, will be non-pensionable. | Low | HR Business Partner, by 31.12.2013. |

# Assurance Definitions[4]

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| Full Assurance | Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.<br><br>The risk of the activity not achieving its objectives or outcomes is low.<br><br>As a guide there are a few low risk / priority actions arising from the review. |
| Substantial Assurance | Our critical review or assessment on the activity gives us a reasonable level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.<br><br>There are some improvements needed in the application of controls to manage risks. However, the controls are in place and operating sufficiently so that the risk to the activity not achieving its objectives is medium to low.<br><br>As a guide there are low to medium risk / priority actions arising from the review. |
| Limited Assurance | Our critical review or assessment on the activity identified some concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.<br><br>The controls to manage the risks are not always being operated or are inadequate. Therefore, the risk of the activity not achieving its objectives is medium to high.<br><br>As a guide there are medium and a few high risk / priority actions arising from the review.<br><br>Our work did not identify system failures that could result in any of the following:<br>- damage to the Council's reputation<br>- material financial loss<br>- adverse impact on members of the public<br>- failure to comply with legal requirements |
| No Assurance | Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.<br><br>Our work identified system failures that could result in any of the following:<br>- damage to the Council's reputation<br>- material financial loss<br>- adverse impact on members of the public<br>- failure to comply with legal requirements<br><br>The controls to manage the risks are not being operated or are not present. Therefore the risk of the activity not achieving its objectives is high.<br><br>As a guide there are a large number of medium and high risks / priority actions arising from the review. |

[4] The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.