INTERNAL AUDIT REPORT – TIME RECORDING & OVERTIME

Auditor:	Internal Auditor
Distribution:	Audit Committee Chief Executive Director of Corporate Services Chief Finance Officer Head of ODHR
	December 2018

All matters contained in this report came to our attention while conducting normal internal audit work. Whilst we are able to provide an overall level of assurance based on our audit work, unlike a special investigation, this work will not necessarily reveal every issue that may exist in the Council's internal control system.

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Executive Summary

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2018/19. This report summarises the findings arising from a review of Time Recording & Overtime which was allocated 7 days.

Through the audit I found the following examples of good practice:

- Council has up-to-date policies and procedures covering annual leave, flexi-time and TOIL and how time is recorded and is available to all staff.
- Council have a time recording system in place
- Flexi balances are monitored regularly by managers to ensure that they remain within the limits of the policy
- Timesheets, flexi balances and toil are approved by managers
- Prior written approval is given in advance of staff working up paid overtime by way of business case or time sheet.
- The overtime to be paid is authorised in writing by managers to confirm that the hours were worked, and the payment is approved before being notified to Payroll
- The rate of overtime paid by Payroll is correct per CCAG's policy and employee's grade
- There is a process in place to monitor the levels of paid overtime within CCAG and this is reported appropriately to management/council
- The level of overtime paid is benchmarked against expenditure targets and historical trends

Two areas (Priority 2) where controls could be enhanced were noted during this review.

The following table summarises the total number of recommendations from our audit (all recommendations being accepted by management):

Risk	Number of recommendations & Priority rating		
	1	2	3
Control of Flexi-Time/Toil	-	-	-
Overtime Payments	-	2	-
Total recommendations made	**-**	**2**	**-**

Based on our audit testing we are able to provide the following overall level of assurance:

Satisfactory	Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

The NTD (North, Time & Data Project Team have made exceptional progress in relation to implementing phase 1 of the flexi system where they have had positive feedback from both

Line Managers and employees on the new version.   The project team have put in a number of measures to assist Line Managers to ensure that employees are complying with the new Flexi Policy and enhance the system such as:

a)   Daily automated emails are sent to Line Managers who have outstanding requests awaiting approval from their staff/agency workers.   This has reduced the amount of requests awaiting decision and is easy for the Admin team to identify any Line Manager(s) that are not approving requests regularly and enable them to address the matter.

b)   On Monday following the previous four week period, an automated email is sent to Line Managers giving balances of flexi and TOIL for their staff/agency workers.

c)   An integration between NTD and Council's Personnel system (PAMS) is currently being finalised.   This will transfer all annual leave submitted and approved on the NTD system on a nightly basis into the PAMS system.   If employees change their leave on the NTD from Annual Leave to flexi this will also be transferred to PAMS.

d)   On a quarterly basis an automated email will be sent to Line Managers detailing annual leave taken, planned and remaining for their staff.

e)   The system enables Line Managers to see their staffs/agency workers' timesheets so that they can readily monitor number of hours being worked, changes to starting times, etc. to assist with complying with Working Time Regulations.

1.   Objective

The overall objective of this audit is to consider the main risks in relation to Time Recording & Overtime and to review the key systems and controls in place to address these.

2.   Background

Causeway Coast and Glens Council has recently merged legacy time recording systems onto one single platform called Employee Self Service (ESS) which was rolled out on Monday 1st October 2018 to Cloonavin employees. It is the intention to phase the system out across the whole of the organisation allowing employees to clock in at any of the Council areas.   Overall responsibility for the flexible working scheme falls within the ODHR Department.

Overtime (extra-duty pay) is defined as time worked by an employee in excess of the standard daily or weekly hours of work. Causeway Coast and Glens Council require that overtime work be approved prior to the employee working the extra hours.   Employees claiming overtime complete an overtime sheet which is signed off by their Line Manager and sent to payroll by the 5th of each month if monthly paid, or if weekly paid it is added to their timesheet and signed off by their line manager.   Payroll then process the payment in accordance to the legacy agreements etc., and the payment is checked by the Payroll Supervisors and then signed off by the payroll/Pension Manager. Overtime payments usually adhere to the NJC Green Book conditions unless there has been a local agreement to allow certain individuals to claim overtime. Council does not have an approved overtime policy in place.

3. Risks

The risks identified relating to the Time Recording & Overtime and agreed with management are as follows:

1. There may be inadequate controls in place in relation to the approval, recording, monitoring and management of Flexi-time and Time Off in Lieu (TOIL) leading to breaches in policy and having a detrimental effect on service provision.

2. Overtime may be paid inappropriately to staff resulting in potential difficulties in recovering payments and inefficient use of Council resources.

4. Audit Approach

The audit fieldwork comprised:

- Documenting the systems via discussions with key staff
- Consideration of the key risks within each audit area
- Examining relevant documentation
- Carrying out a preliminary evaluation of the arrangements and controls in operation generally within the Council
- Testing the key arrangements and controls
- Testing the completeness and accuracy of records.

The table below shows the staff consulted with and we would like to thank them for their assistance and co-operation.

Job title
Chief Finance Officer
Head of ODHR
Payroll/Pension Manager
Senior Payroll Officer
Business Partner OD

5. Findings and Recommendations

This section of the report sets out our findings in relation to control issues identified and recommendations. A summary of all the key controls that we considered is included in Appendix II to this report.

6. Risk 1 – Flexi Time/Toil

Audit has no findings or recommendations to make in relation to this risk area.

6.1   Risk 2 – Overtime Payments

Working Time Regulations 1998
a) Observation- It was noted that 23 employees had exceeded the maximum average working week of 48 hours during a 31 week reference period in September 2018. 5 of these employees had exceeded 60 hours. However, Council have drafted a Working Time Regulations Policy which is to be finalised in due course.
b) Implication- Possible breach of the Working Time Regulations 1998 and concerns over health and safety both for its employees and the public.
c) Priority Rating- 2
d) Recommendation 1 - A corporate message should be distributed, reminding managers of the need to comply with the Working Time Regulations but also of the council's duty of care to its staff.
e) Management Response- Content of message to be reviewed agreed by SMT and transmitted to all Heads of Service for distribution to service managers and supervisors.
Responsible Officer & Implementation Date- CFO January 2019

Overtime Policy
a) Observation- Council does not have an approved overtime policy in place.
b) Implication- Overtime may be paid inappropriately to staff resulting in potential difficulties in recovering payments and inefficient use of Council resources.
c) Priority Rating- 2
d) Recommendation 2- An overtime policy should be drawn up and approved by Council.
f) Management Response- Overtime policy to be developed
Responsible Officer & Implementation Date- CFO – January 2019

Appendix I: Definition of Assurance Ratings and Hierarchy of Findings

Satisfactory Assurance

Evaluation opinion: Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

Limited Assurance

Evaluation opinion: There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

Unacceptable Assurance

Evaluation opinion: The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

Hierarchy of Findings

This audit report records only the main findings. As a guide to management and to reflect current thinking on risk management we have categorised our recommendations according to the perceived level of risk. The categories are as follows:

Priority 1: Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

Priority 2: Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.

Priority 3: Failure to implement the recommendation could lead to an increased risk exposure.

Appendix II: Summary of Key Controls Reviewed

Risk	Control issues
There may be inadequate controls in place in relation to the approval, recording, monitoring and management of Flexi-time and Time Off in Lieu (TOIL) leading to breaches in policy and having a detrimental effect on service provision	• Council has up-to-date policies and procedures covering annual leave, flexi-time and TOIL and how time is recorded • The policy is available to all staff • Council have a time recording system • Time recording sheets are being completed and processed by the relevant department or time is entered on a time recording IT system. • There is a mechanism/process to record the hours worked by staff if claiming flexi-time • Flexi balances are accurately calculated • Flexi balances are monitored regularly by managers to ensure that they remain within the limits of the policy • Timesheets and flexi balances are approved by managers • Prior approval is given in advance of TOIL being taken The process can manage the varying hours worked within the Council and the need for manual adjustments to the log of hours worked is minimised (e.g. the need to make manual adjustments for staff working reduced hours)
Overtime may be paid inappropriately to staff resulting in potential difficulties in recovering payments and inefficient use of Council resources	• CCAG has an up-to-date policy and procedure on overtime payments • Prior written approval is given in advance of staff working up paid overtime and consideration is given to alternative working practices before overtime is paid • The overtime to be paid is authorised in writing by managers to confirm that the hours were worked, and the payment is approved (rather than being taken as TOIL) before being notified to Payroll • The rate of overtime paid by Payroll is correct per CCAG's policy and employee's grade • There is a process in place to monitor the levels of paid overtime within CCAG and this is reported appropriately to management/council • The level of overtime paid is benchmarked against expenditure targets and historical trends