



Overtime

City of York Council

Internal Audit Report 2015/16

Business Unit: Corporate & Cross-Cutting
Responsible Officer: All Directors
Date issued: 20 December 2016
Status: Final
Reference: 19130/008

	P1	P2	P3
Actions	0	5	1
Overall Audit Opinion	Reasonable Assurance		

Summary and Overall Conclusions

Introduction

During the first six months of 2015-16 £392K has been spent by City of York Council on overtime. This compares to £561K over the same period in 2013-14 and £498K in 2014-15. The trend shows that overtime is reducing but it still represents a significant area of spend.

Overtime payments for the current financial year have been made to a total of 540 employees, and £197K of this total has been paid to just 55 individuals, with 16 employees receiving over £4,000 each in overtime alone during this period.

Overtime has been a key area of audit work since 2013-14 but further work in this area is still required to ensure that overtime is only used where necessary and to establish whether procedures for allocation and authorisation of overtime are sufficiently robust.

Objectives and Scope of the Audit

The purpose of the audit is to identify any areas of weakness and provide advice on potential areas for improvement in relation to overtime. The audit will review processes and controls in relation to overtime within the services with the greatest overall spend, as determined by analysis of spend information for the first six periods of the current financial year. The three cost centres with the greatest level of overall spend were identified as being NR250 Public Realm Operations, NR121 Building Maintenance and NR140 Highways. The use of overtime within the service will be discussed with the service managers.

The audit will cover the following areas:

- procedures for allocation and authorisation of overtime
- whether alternative working patterns or staffing structures could be used to reduce the use of overtime

The audit will also include follow-up work on the actions agreed as part of the 2014-15 audit relating to monitoring of standby hours and availability of management information on overtime hours and payments.

Key Findings

Overtime remains an area of high expenditure for the council and needs to be adequately monitored across the whole of the organisation, not just those services where the largest amount of expenditure occurs. Overall, service managers were clear on the allocation of overtime across their services. Where the same employees were found to be accessing overtime over a number of months, this could be explained either by service constraints or by a lack of volunteers. However, the concentration of overtime hours among a few individuals has caused the council to

breach the Working Time Regulations 1998 in several instances and allowed staff to work hours that raise concerns over health and safety both for its employees and its customers.

Issues found with processes for authorising additional hours and overtime mainly related to those claims that are submitted via manual timesheets. Numerous errors and inconsistencies in the completion of timesheets were observed. These errors and inconsistencies, coupled with the fact that no provision has been made for staff to record reasons for the additional hours or overtime undertaken, leads to a lack of transparency. A wider issue is the overall monitoring of overtime usage by services, which is not routinely undertaken.

Work done to follow up the agreed actions from the 2014-15 audit of overtime revealed that significant progress had been made. However, some issues remained to be resolved at the time of the audit and further follow-up work will be carried out to confirm that the actions taken address the risks. Some issues were also observed with the availability and use of management information on overtime and additional hours, although significant improvements were made during the course of the audit and HR is currently undertaking work to improve the situation further.

Many issues that have been identified during the audit could be addressed through the corporate payroll system (iTrent). The system provides, through its Employee Self Service and People Manager modules, the facility for reasons for overtime to be recorded. It is also able to produce management information on payroll elements such that both hours worked by individuals and the cost of the payments made can be more closely monitored. If management were to be better informed of overtime usage, it follows that they would be in a better position to allocate more effectively (i.e. by reducing dependency on certain staff where possible) and authorise only those hours that are necessary for the most important of tasks.

Finally, satisfactory consideration was found to have been given to the possibility of implementing alternative working patterns and staffing structures to reduce overtime but, based on discussions held with service managers, there appears to be limited scope for further changes to be made within existing service delivery models. It is also important to recognise that overtime is a legitimate business practice, enabling the authority to flexibly deliver its services using the skills possessed by its existing workforce.

Overall Conclusions

It was found that the arrangements for managing risk were satisfactory with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

1 Overtime claiming

Issue/Control Weakness

There is no requirement to provide a reason for additional hours or overtime worked on manual and electronic claims.

Lack of control in the authorisation of manual timesheets.

Risk

Increased risk of inappropriate or fraudulent overtime claims.

Overtime paid is irreconcilable in the absence of a complete audit trail.

Findings

Manual timesheets are formatted in such a way that a reason for the additional hours or overtime worked is not required. As a result, it is not possible to determine whether or not the work undertaken was necessary. Through Employee Self Service, the iTrent system has provision for staff to justify additional hours or overtime via a comments box although this is not a mandatory field. While some services do have overtime application forms which authorise a number of hours against a task, these are separate to the timesheets submitted for payroll purposes.

Review of manual timesheets completed for both additional hours and overtime payments revealed a large number of errors and inconsistencies. Breaks were, on occasions, not subtracted from hours worked, the total number of hours was incorrect and authorising officers were not clearly identified. There was one occasion where the signature differed from the printed name of the authorising officer. These errors were identified and corrected by the council's payroll officers.

Agreed Action 1.1

iTrent Employee Self Service will be rolled out to all council staff.

Priority

2

Responsible Officer

Head of HR and
Organisational
Development

Timescale

31 March 2017

2 Compliance with the Working Time Regulations 1998

Issue/Control Weakness

Failure to fully comply with the requirements of the Working Time Regulations.

Risk

The council is found to have failed in its duty of care and could face reputational damage and possible legal challenge.

Findings

The 20 top council employees who earned the most overtime were identified and their working hours examined. It was found that nine had exceeded the maximum average working week of 48 hours during a 17 week reference period between the beginning of April and end of July 2015. All employees were found to have taken the minimum 48 hour rest period within a fortnight. However, four employees, on at least one occasion, had not had the required minimum 11 hour uninterrupted rest break within a 24 hour period. Two members of staff had failed to observe this rest period on more than 10 occasions.

Agreed Action 2.1

A corporate message will 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.

Priority

2

Responsible Officer

Head of HR and Organisational Development

Timescale

31 January 2017

Agreed Action 2.2

As Public Realm no longer uses weekly timesheets, breaches of the Working Time Regulations can only be identified from the data recorded on the overtime claim sheets. Therefore, the following arrangement will be implemented in November 2016 to include data from October 2016 onwards:

Priority

2

Responsible Officer

Head of Operations

Timescale

31 January 2017

- Existing monitoring arrangements relating to the authorisation of overtime will be amended to include monitoring of compliance with the Working Time Regulations
- A monthly summary of overtime worked compared to hours authorised is provided to the Head of Operations. This will now include compliance with the Working Time Regulations
- Any Working Time Regulations opt-outs will be reviewed, updated and recorded

Agreed Action 2.3

Building Services is actively reviewing a range of short term and long term options to ensure that the demands of providing a 24 hours a day, 7 days a week, 365 days a year, reactive service are balanced with the requirements to maintain safe and compliant working hours for staff. The service will also be adapting existing overtime reporting to be able to more clearly identify, and act on, potential breaches of the Working Time Regulations.

Priority

2

Responsible Officer

Head of Building Services

Timescale

31 January 2017

Agreed Action 2.4

OPH Operations will enquire with Legal Services as to whether or not current shift patterns are compliant with the Working Time Regulations in respect of the daily rest period and take any action necessary.

Priority

2

Responsible Officer

Service Manager – Provider Services

Timescale

31 January 2017

3 Monitoring of additional hours and overtime (Older People’s Homes)

Issue/Control Weakness	Risk
<p>Lack of communication between Older People’s Homes (OPH) managers with regard to hours already worked by staff.</p> <p>Shifts can be swapped without management consent.</p>	<p>Unnecessary overtime is worked resulting in additional costs to the council.</p> <p>Potential for the Working Time Regulations 1998 to be breached, posing significant risk to employee and customer health and safety and to the reputation of the council.</p>

Findings

The current arrangements for overtime allocation within OPHs is those staff who have not worked 37 hours for the week will be asked to cover shifts first (staff are contracted on part time hours). Managers would then look to use ‘Work with York’ (a council owned company), then contact staff working over 37 hour weeks and, as a last resort, find workers from external agencies.

An issue that the service encounters in monitoring the number of overtime hours worked is that staff are able to work across homes to cover shifts. Lack of communication between OPH management in terms of hours completed by staff at their permanent place of employment has allowed staff to work excessive hours and to accumulate significant amounts of overtime without challenge. By the time the service has realised that the level of overtime is abnormally high, the work has already been completed.

Staff also agree between themselves to swap shifts. Shift swaps have been permitted by the service for exceptional circumstances but the system can be easily exploited. Staff are able to work overtime hours by swapping shifts with a colleague so that the shift that they have swapped into will attract overtime rates. Although the biggest risk here is that unnecessary overtime is worked there is also a significant risk that, without regulation, the Working Time Regulations could be breached. Given the informal arrangements the service has in this area, monitoring is difficult.

Agreed Action 3.1

Rotas have now been centralised and a member of staff has been appointed to coordinate these. All services produce data on additional hours which is discussed with care home managers during weekly performance clinics run by the OPH management team.

The service has also introduced a guidance document which clearly outlines expectations with respect to the use of shift swaps. The guidance stipulates that shifts should only be swapped on a like for like basis (i.e. shifts which attract the same enhancements) and that these must be authorised by the registered manager and recorded on a swap form.

Priority	3
Responsible Officer	Service Manager – Provider Services
Timescale	Implemented

Annex 1

Audit Opinions and Priorities for Actions

Audit Opinions	
<p>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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