

Overtime City of York Council Internal Audit Report 2014/15

Business Unit: Corporate and Cross-Cutting

Responsible Officer: Director of Customer and Business Support Services

Date Issued: 10 April 2015

Status: Final

Reference: 19130/005

	P1	P2	P3
Actions	1	1	0
Overall Audit Opinion	Limited Assurance		



Summary and Overall Conclusions

Introduction

During 2013/14 £1,084,585 was spent by City of York Council on overtime. These overtime payments were made to a total of 1,077 employees, and 40% of this total was paid to just 50 individuals, with 13 employees receiving over £10,000 each in overtime alone during 2013/14.

Changes to the Local Government Pension Scheme introduced in April 2014 mean that all payments in respect of additional hours and overtime are now pensionable. This means that overtime hours will cost the council approximately 19.7% more in 14/15 than the same number of hours worked would have cost in 2013/14.

Audit work undertaken in 2013/14 identified the need for further work in this area 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 was to identify any areas of weakness and provide advice on potential areas for improvement in relation to overtime. The audit covered 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 reviewed processes and controls in relation to overtime within the services with the greatest overall spend, as determined by analysis of spend information for the 2013-14 financial year. The two cost centres with the greatest level of overall spend were NR121 Building Maintenance, and NR250 Public Realm. The use of overtime within the service was discussed with the service manager in both instances. More detailed information relating to findings for these two cost centres are included below.

A number of additional areas were also reviewed where the proportion of individuals receiving overtime was comparatively low, or where there were significantly high total payments to individuals in the 2013/14 financial year. The areas reviewed were JA106 Howe Hill; NR140 Highways; NR211 Commercial Waste and FM010 Benefits Team.

Key Findings



Overtime monitoring returns to finance were found to have limited usefulness in providing an explanation for, or reducing the use of, overtime across the council. The same individuals appeared consistently in reports resulting in repetition of responses from departments, which contributed to a lack of engagement from the managers concerned as well as limited value being gained from the results.

Overall Conclusions

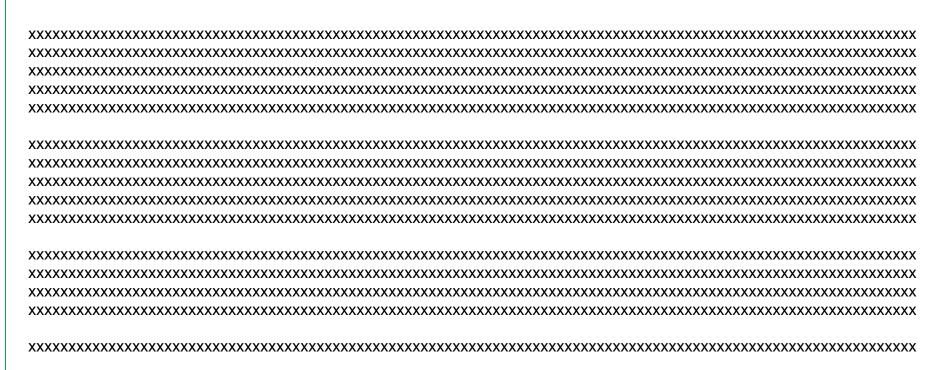
It was found that the arrangements for managing risk were poor with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided Limited Assurance.



Detailed findings

Building Maintenance

Overview



Findings



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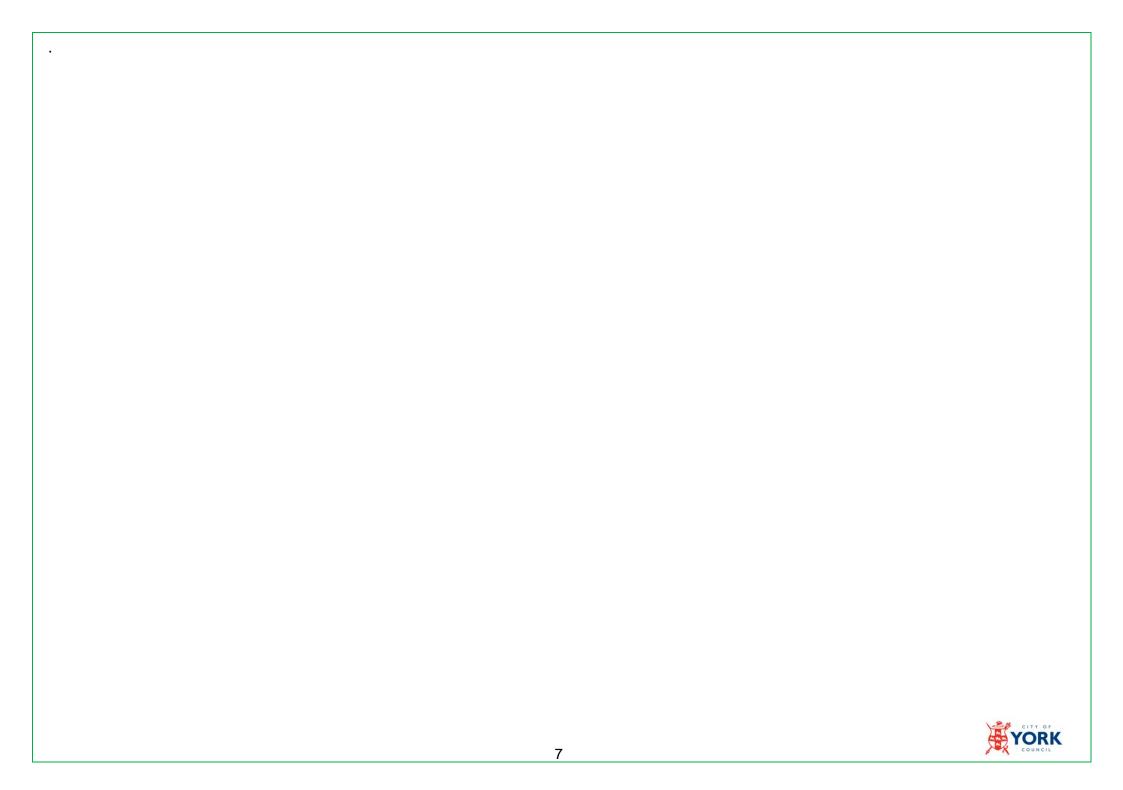


Public Realm

Overview

Findings





General findings

Central measures

A process for identifying high value payments to staff on a monthly (> £1000) and year to date (>£5000) basis was implemented in the 2013-14 year. This required explanations to be submitted to directorate accountants each month by the identified individuals' line managers.

It was found that returns often included duplicated explanations from managers with no detail as to how spend may be reduced. Additionally, forms had been returned by officers at differing levels (in some cases the head of service had completed the forms, whereas in others they had been returned by service managers). Those officers who were aware of, and had completed the return forms, had received no feedback or responses to what they sent.

Due to limitations in the usefulness of the information received, this process has since been discontinued; however there remains a need for management information that is useful to both operational managers and finance staff.

Other services

Howe Hill

The use of overtime is accounted for by provision of night support within the temporary accommodation service. This appeared reasonable given the requirements of the service and its users, as well as consideration of the overall spend on staffing within the service in the context of its budget. Further to this, action to reduce the amount of overtime hours had been identified and implemented and this was evidenced in a reduction in overall spend on overtime in the second quarter of the 2014-15 year.

Highways

Although no concerns were identified in relation to authorisation of timesheets or levels of working hours, there were some cases where individuals appeared to be earning large amounts of overtime. The work undertaken in the cases identified did not appear unreasonable, but these cases were reported to the head of service. Given that this service represented a lower proportion of overall overtime spend, more detailed analysis was not undertaken.

Commercial Waste

Resourcing limitations within the service resulted in high payments to a small number of individuals. Since the commencement of the audit, additional staff have been recruited within the service, and the amount of overtime payments were found to have reduced from the third quarter of 2014-15.



Ben	efits	team
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This service was reviewed as staff frequently work overtime. However, analysis showed that the number of hours worked by individuals (above their contracted hours) was consistent between both full and part time staff within the service. A higher prevalence of part-time staff within the service means that additional hours were used where possible and therefore the level of spend on overtime within the service appeared reasonable.



Action plan

Ref	Agreed Action	Priority	Responsible Officer	Timescale
1.1	xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx	1	Head of Building Services	August 2015
	XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX			
2.1	xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx	2	Head of Building Services	August 2015
	XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX		Head of Public Realm	



Audit Opinions and Priorities for Actions

Audit Opinions

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.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

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	Priority 1 A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urger 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.	





