Causeway Coast and Glens Borough Council

Internal Audit Report
Time Recording & Overtime

July 2022
V3

INTERNAL AUDIT REPORT

Time Recording & Overtime

Executive Summary

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2021/22. This report summarises the findings arising from a review of Time Recording & Overtime which was re-allocated to 12 days.

Through our audit the following was noted:

- With the exception of approximately 7% of staff all other staff and agency staff have access to the Employee Self Service (ESS) time recording application on which their time at work is recorded, via clocking in and out.
- The 7% of staff not currently included on the ESS time recording application are staff working alone and/or not based at a location which has the clocking in and out facility. These staff record their time via manual timesheets. The Council is looking at means by which these staff can access the ESS application.
- The Council has documented their Flexible Working Hours Scheme (FWHS) but has not consolidated their Time Off In Lieu (TOIL) and Overtime policies. For these legacy policies remain in place from each of the Councils and for planners. An Overtime / Additional Hours Guideline has been drafted but it has not been approved for use as yet and it does not include reference to Agency staff overtime processes.
- Apart from ESS manuals the Council has not documented their overall attendance and time recording policy, procedure or guideline which sets out attendance and time recording processes, utilisation of the ESS application and the management, monitoring and reporting of staff and Agency staff attendance and time recording.
- Timesheets are not being fully completed, matched and reconciled with the ESS records.
- Line Managers are not required to document their period end review and approval of Flexitime and TOIL balances for the staff for which they are responsible.
- There was no supporting evidence to show that overtime was approved prior to being incurred.
- There is no Council guidance on overtime monitoring and reporting.

The following table summarises the total number of findings/recommendations from our audit:

Risk	Number of recommendations & Priority rating		
1		**2**	**3**
There may be inadequate controls in place in relation to the approval, recording, monitoring and management of Flexitime and Time Off in Lieu (TOIL) leading to breaches in policy and having a detrimental effect on service provision.		2	1
Overtime may be paid inappropriately to staff resulting in potential difficulties in recovering payments and inefficient use of Council resources		2	1
Total recommendations made		**4**	**2**

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

Limited	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.

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Auditor: Catriona McHugh

Distribution: Audit Committee
                     Chief Executive
                     Director of OD/HR
                     Director of Finance
                     Audit Risk and Governance Officer

<u>July 2022</u>

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.

1 Objective

The areas for inclusion in the scope of the audit were determined through discussion with management. The scope of this audit is to review the arrangements in place within the Council in relation to time recording and overtime, focusing on the main risks associated with the following:

- Flexitime / TOIL
- Overtime payments for all staff and agency workers

The audit objectives are to ensure that:

- Processes for managing Flexitime / TOIL are sufficient to ensure appropriate approval and monitoring of Flexitime / TOIL
- Payments for overtime are accurate and are based on evidenced and approved records of overtime worked

2 Background

In 2018 a single time recording platform called Employee Self Service (ESS) was introduced to Council employees at Cloonavin with the intention to roll this application out across the entire organisation in a phased manner. The Council has approximately 619 (non-agency) employees and approximately 93% were using the system at the time of drafting this report to clock-in, clock-out and input any absences. ODHR are looking at the remaining 7% of employees (mostly in rural locations) not utilising the system and considering potential solutions for them to access it which will be recommended to the Senior Leadership Team.

Overtime is defined as time worked by an employee in excess of the standard or weekly hours of work, taking into account Flexitime and TOIL adjustments. Causeway Coast and Glens Council generally require that overtime work is approved prior to the employee working the extra hours. Employees claiming overtime must complete an overtime sheet which is to be signed off by their Head of Department and sent to payroll by the 5th of the month if a monthly paid employee, of if weekly paid the overtime is recorded on the employees timesheet and signed off by their line manager.

Agency staff also complete timesheets, can be paid overtime and utilise the ESS application.

3 Risks

The risks identified by Internal Audit relating to time recording and 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

Our 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
Head of ODHR
HR Business Partner Systems
Chief Finance Officer
Payroll and Pensions Manager
Financial Accountants
Payroll Administrative Officer

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.

5.1 Risk 1 – Inadequate controls over Flexitime and TOIL

ISSUE 1 – Documented Policies, Procedures and Guidelines
a) Observation -   To record attendance and working time the Council has a clocking in and out time recording application in place. North Time Pro Employee Self Service (ESS) is the IT application package being used, which is also referred to as Timeware. Agency staff are also obliged to utilise the ESS application to record their attendance and <u>time for their services provided.</u>

Manuals to assist staff and management to utilise the ESS are available to them. However, the Council does not have a documented overall / comprehensive policy, procedure or guideline which sets out attendance and time recording processes, utilisation of the ESS application and the management, monitoring and reporting of staff and Agency staff attendance and time recording.   The Council has a flexitime policy in place, Flexible Working Hours Scheme (FWHS), which was approved by the Council 23 October 2018. It notes that it may not be applicable to all staff within the Council due to the nature of certain categories of work and work pattern.   Presently the Council does not have a single, consistent TOIL policy, procedure or guideline applicable across the Council. Legacy TOIL policies, procedures and guidelines apply.   The Council have drafted an Overtime/ Additional Hours Guideline which contains a section on TOIL, but this has not been approved as yet.   Flexitime and TOIL are not applicable to Agency staff.   All policies, procedures, guidelines, handbooks and manual are made available to staff via the Staff Portal.
b) Implication-   In the absence of documented policies, procedures and guidelines there is a risk that staff do not process and monitor time and attendance appropriately.   In the absence of a single consistent documented policy, procedure or guideline there is a risk that staff may not receive their entitlements due to mis-application of the relevant policy, procedure or guideline.
c) Priority Rating - 3

d)	**Recommendation**- The Council should document their overall / comprehensive policy and procedures for attendance and time recording processes, utilisation of the ESS application and the management, monitoring and reporting of staff attendance and time recording, including for management of Agency staff. The Council should put in place a single, consistent TOIL policy, procedure or guideline which would be applicable across the Council as soon as is possible.
e)	**Management Response-** ODHR will develop a procedure to ensure the ESS application process is managed, monitored and reviewed appropriately by the relevant personnel within set timeframes. Procedure to be agreed by SLT and, circulated to Trade Unions for information purposes. ODHR to develop a TOIL policy for agreement by the Trade Unions and relevant Council Committee. Once the ESS procedure and TOIL policy are agreed, they will be circulated to all staff and uploaded onto the Staff Portal.
f)	**Responsible Officer & Implementation Date-** TOIL policy - HR Business Partner Organisation Development – agreed and implemented by 31 December 2022. ESS procedure – HR Business Partner Systems – agreed and implemented by 31 January 2023.

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ISSUE 2 – Completion of manual timesheets

a)	**Observation-** Audit tested a sample of 7 weekly paid and 7 Agency staff who completed timesheets, for a sample of 2 selected months. It was noted from the sample that some sections on the timesheet were not always thoroughly completed, i.e. start and finish times, breaks taken, and, the Code column and the Costing Allocation Details section. Audit also reviewed ESS records available in relation to the sampled staff. It was noted as the sampled periods were during COVID, the ESS application was not being used for certain staff members due to precautionary measures. However, for the sampled staff who were using the ESS during the sampled periods it was noted that the ESS records did not match with the timesheets. There does not appear to be a documented requirement to ensure that the ESS records are matched, and that ESS records and timesheets reconcile.
b)	**Implication-** Time / cost may be miscalculated and/or misallocated if undertaken by staff who are not directly involved or be knowledgeable of the work which was undertaken. Time records do not provide an accurate reflection of attendance and time worked.
c)	**Priority Rating** - 2
d)	**Recommendation-** Timesheets should be fully completed prior to approval by the applicable Line Manager. Timesheet and ESS records should be matched and reconciled so that they are consistent with one another. (This should be included within the comprehensive policy and procedures to be developed for the attendance and time recording processes.) Line Management should be reminded of their responsibilities for ensuring time and attendance is appropriately recorded and training should be provided where new procedures and processes are put in place.
e)	**Management Response-** As part of the new procedure for the ESS application process mentioned at Issue 1 above, roles and responsibilities for relevant personnel will be clearly defined. This element of reconciliation between the timesheets and ESS records will be incorporated under Line Manager responsibilities. Also covered within this procedure will be the process of audit checks carried by the ESS Administrator.
f)	**Responsible Officer & Implementation Date-** HR Business Partner Systems – procedure to be agreed and implemented by 31 January 2023.

ISSUE 3 – Flexitime and TOIL Monitoring	
a) Observation- Flexitime and TOIL balances are automatically calculated on the ESS application. Staff flexitime and TOIL balances are reviewed at flexitime period ends (on a 4 weekly basis). Automated emails are sent from the ESS application to Line Managers providing Flexitime and TOIL balances for the staff for which they are responsible. There is no documented requirement that Line Managers record their review and sign off their approval of the balances.	
b)	**Implication-** Flexitime and TOIL balances may not be regularly reviewed and confirmed as being accurate.
c)	**Priority Rating**- 2
d)	**Recommendation**- Line Managers should document their period end review and approval of Flexitime and TOIL balances held for each member of staff for which they are responsible and this should be included within applicable policies and procedures.
e)	**Management Response**- As part of the new procedure for the ESS application process mentioned at Issue 1 above, period end review and approval of flexitime and TOIL balances by Line Managers will form part of their responsibilities. Audit checks will be carried out by the ESS Administrator to ensure compliance of this element.
f)	**Responsible Officer & Implementation Date-** HR Business Partner System – agreed and implemented by 31 January 2023.

5.2 Risk 2 – Overtime may be paid inappropriately

ISSUE 4 – Overtime documented Policies, Procedures and Guidelines	
a) Observation- Presently the Council does not have a single, consistent Overtime policy, procedure or guideline applicable across the Council. Legacy Overtime policies, procedures and guidelines apply. As mentioned above, the Council have drafted an Overtime/ Additional Hours Guideline, but it has not been approved for use as yet. Legacy policies, procedures and guidelines on overtime provided and the draft policy does not mention Agency staff overtime.	
b)	**Implication-** In the absence of a single consistent documented policy, procedure or guideline there is a risk that staff may not receive their entitlements due to mis-application of the relevant policy, procedure or guideline.

	c) Priority Rating - 3
d)	**Recommendation**- The Council should put in place a single, consistent Overtime policy, procedure or guideline which would be applicable across the Council as soon as is feasible. An overtime policy should include how Agency staff overtime is to be processed, managed and monitored.
e)	**Management Response-** A draft overtime policy has been produced but requires management and council approval
f)	**Responsible Officer & Implementation Date – Payroll and Pension Manager (November 2022)**

ISSUE 5 – Pre-approval of Overtime
a) Observation-   Generally legacy policies, procedures and guidelines require that overtime is authorised in advance, unless there are specific circumstances under which this is not feasible.   Audit tested a sample of 7 weekly paid, 7 monthly paid and 7 Agency staff overtime incurred for a sample of 2 months. No supporting evidence was provided for approval of overtime prior to it being incurred.   It was explained that overtime can be part of regular scheduled activity within certain Council services.
b) Implication-   Inefficient planning and utilisation of resources which may lead to additional costs being incurred by the Council.
c) Priority Rating- 2
d) Recommendation-   All overtime should be pre-approved and the approval should be documented and retained. It should be clearly identified on work schedules which planned activities are related to overtime.
e) Management Response- Draft overtime policy will set out process for approval by managers/supervisors
f) Responsible Officer & Implementation Date- Payroll and Pension Manager – Nov 2022 for policy, managers/supervisors for implementation thereafter

ISSUE 6 – Overtime monitoring

a) Observation-	Policies, procedures and guidelines do not mention any requirement relating to overtime expenditure monitoring or benchmarking exercises. Weekly and monthly overtime reports are produced automatically after each payroll run but are not distributed; they are available to management on request. The Management Information Accounts Dashboard which is produced monthly and distributed to management contains actual payroll expenditure against budget which includes overtime expenditure. It was explained that current account codes do not highlight overtime in the general ledger via a separate detail code, but that the Council are moving to a new system which will give this requirement appropriate visibility.
b)	**Implication-** The Council and Council management may not be aware of the extent of overtime expenditure being incurred, which may be indicative of resourcing or other issues requiring attention, which are increasing costs to the Council.
c)	**Priority Rating**- 2
d)	**Recommendation**- Council management should consider what overtime monitoring is required or what should trigger such monitoring and protocols to address unplanned overtime cost; build this into their policies, procedures and guidelines, and, management monitoring practice.
e)	**Management Response**- Finance to discuss requirements and agree with SLT
f)	**Responsible Officer & Implementation Date-** Chief Finance Officer – Nov 2022

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

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

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Key Controls

- Council has up-to-date policies and procedures covering flexi-time and TOIL and how time is recorded
- The policy is available to all staff
- Council has a time recording system
- Where legacy terms and conditions continue to be applied, managers are aware of the different terms that their staff are operating under
- Time recording sheets are being completed and processed by the relevant department or time is entered on a time recording IT system for staff and agency workers
- 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 and agency workers 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 or paid via an agency invoice
- 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

Appendix III: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future Periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate; or

- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.