

REPORT TO: Audit and Governance Committee

MEETING DATE: 20 February 2018

BY: Depute Chief Executive (Resources & People Services)

SUBJECT: Internal Audit Report – Overtime

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Overtime.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 A review of the internal controls surrounding Overtime was undertaken as part of the Audit Plan for 2017/18.
- 3.2 The main objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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DATE	8 February 2018

EAST LOTHIAN COUNCIL – INTERNAL AUDIT OVERTIME

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2017/18, a review was undertaken of Overtime. The main objective of the audit was to establish if adequate arrangements were in place for the management of overtime.

1.2 Areas where Expected Controls were Met

- The Council has in place a Management of Overtime Policy – the Policy sets out the Council's approach to approved overtime working and provides guidance to both Managers and employees. The Policy makes provision for overtime working where it is either unavoidable or required to deal with an emergency.
- Adequate arrangements are in place within the Payroll section for checking and processing all overtime claims received and a clear audit trail exists of all overtime payments made.

1.3 Areas with Scope for Improvement

- In some service areas, employees were undertaking regular overtime, which was being paid at premium rates (time and a half). For the sample of cases examined, we found that overtime working had become part of the employee's "normal" working pattern – overtime working was occurring consistently throughout the year and had become part of the service area's method of operating. *Risk – overtime trends can go unidentified and unquestioned, leading to missed opportunities for cost savings.*
- In a number of cases, employees claiming overtime were undertaking administrative tasks, while in other cases overtime working was regularly being undertaken by employees on higher grades (e.g. chargehand, supervisory or managerial staff) leading to increased costs to the Council. *Risk – failure to demonstrate value for money in the scheduling, prioritising and allocation of work.*
- In some cases, we found instances of employees consistently working in excess of 48 hours per week, failing to have a break of at least 11 hours between shifts and/or working 7 days a week. *Risk – failure to ensure that the Council meets its duty of care under health and safety legislation.*
- There was a lack of adequate checking procedures in place within some service areas – in some cases, errors were noted in the overtime hours recorded on the summary sheets prepared for Payroll and in other cases employees were authorising their own overtime claim forms. *Risk – errors and irregularities may occur and remain undetected.*
- In a number of cases, there had been a failure to record the actual work undertaken while overtime hours were being claimed. *Risk – lack of a clear audit trail.*

1.4 Summary

Our review of Overtime has identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager

February 2018

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
OVERTIME**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
5.1	Where regular overtime working has become part of a service area's method of operation, Management should identify opportunities for change, service redesign and revised patterns of working.	Medium	Depute Chief Executives on behalf of CMT	Agreed		June 2018
5.2	For those employees currently working high levels of overtime, Management should ensure that appropriate arrangements are in place to demonstrate that the employer's duty of care is being met in line with health and safety legislation.	Medium	Depute Chief Executives on behalf of CMT	Agreed		June 2018
5.3	Management should ensure that all overtime sheets clearly record the reasons for the overtime being undertaken.	Medium	Service Manager – HR & Payroll on behalf of Service Managers	Agreed – email to be sent out to all service areas.		April 2018
5.4	Management should ensure that overtime claim forms are approved by the employee's line manager.	High	Principal Amenity Officer	Agreed – process reviewed to ensure adequate counter signature to be applied on all claims.		February 2018

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
5.5	Appropriate checking mechanisms should be put in place to ensure that the summary sheets prepared by service areas for Payroll are accurate and complete.	High	Principal Amenity Officer	Agreed – additional guidance issued to admin staff and additional sampling / checking now in place.		February 2018

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.