



THE CHIEF CONSTABLE OF NORTH YORKSHIRE

Resource Management: Overtime

FINAL

Internal audit report 8.18/19

5 November 2018

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Debrief held	16 September 2018	Internal audit team	Daniel Harris, Head of Internal Audit Angela Ward, Senior Manager Philip Church, Client Manager Andrew Carter, Senior Auditor
Draft report issued	2 October 2018		
Responses received	5 November 2018		
Final report issued	5 November 2018	Client sponsor	Chief Constable's Chief Finance Officer and Chief Accountant Head of Human Resources and Training Department HR Professional Support Manager
		Distribution	Chief Constable's Chief Finance Officer and Chief Accountant Head of Human Resources and Training Department, HR Professional Support Manager

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1 EXECUTIVE SUMMARY

1.1 Background

We have undertaken an audit of overtime payments as part of the agreed internal audit plan for 2018/2019. The objective of the audit was to ensure appropriate controls are in place to support overtime payments. In 2017/18 the overall budget for overtime was £2,142,000 and the actual spend by the force was £3,859,000, an overspend of £1,717,000, which was predominantly in relation to police officer overtime.

The force uses the Origin time management system for the purposes of recording time worked by both police officers and police staff. Officers and staff must submit an electronic claim on the time management system for all overtime claimed. The Origin system has built in overtime rules which are operated by the Resource Management Unit (RMU) and built in workflows which require every overtime claim to be approved by a line manager, sergeant or inspector. Once approved, the overtime claim is processed for payment by the Payroll team.

Financial information is provided to Departmental Heads on a monthly basis by the Finance team to ensure that individual departments are held to account for their spend against their overtime budget.

In 2018/19 overtime is significantly lower than at the same time the previous year. The table below gives an example of the overtime hours worked in August as reported to the People Board:

		Police Officer	PCSO	Police Staff
Overtime – Basic Hours Authorised	August 2017	12782:43 hrs	183:04 hrs	3178:21 hrs
	August 2018	4660:59 hrs	41:40 hrs	1023:19 hrs

1.2 Conclusion

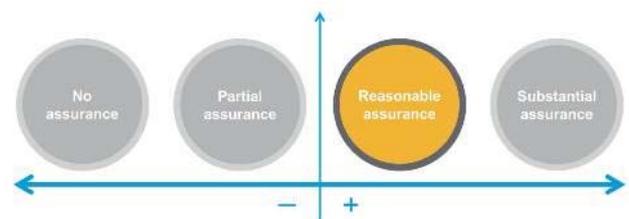
Historically, there has been a significant overspend in this area and the audit has reviewed the control framework to attempt to ascertain the possible reasons for this historic overspend. Whilst the audit confirmed that there are appropriate controls in place to support the approval of overtime payments made, issues still remain regarding a separation of the individual(s) responsible for the authorisation of the overtime payment and the individual managing the budget(s).

We have agreed **three medium** and **one low** priority management actions in relation to the review of the current overtime and TOIL procedure, the authorisation of overtime claims when they have passed the approved three month time limit on submitting claims, the depth of the management information being reported to the People's Board with regards to finances and the delegated approval levels for overtime claims compared to those responsible for undertaking budget monitoring.

Internal audit opinion:

Taking account of the issues identified, the Chief Constable of North Yorkshire can take **reasonable assurance** that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied.

However, we have identified issues that that need to be addressed in order to ensure that the control framework is effective in managing this area.



1.3 Key findings

The key findings from this review are as follows:

- The force has overtime procedures in place that are up to date, detail how to claim overtime on the time management system and are available to all officers and staff on the intranet.
- Review of the Duty Management System (DMS) confirmed that the overtime rules, in accordance with force procedures, for both officers and staff were built into the system, which enabled a sound control environment. Furthermore, within the system they were hierarchical workflows, which ensured that all overtime claimed was approved by a relevant line manager.
- Testing of 60 overtime claims (planned, unplanned/casual, recall of duty, advancing the start of duty from rostered time, rest days and public holidays) which included 45 police officers and 15 police staff found the following:
 - In all instances tested we found that the claim forms and the electronic claims had been approved appropriately;
 - In all instances we found that the rates of pay applied in the time management system were in accordance with policies and procedures;
 - In all instance tested, we were able to confirm the dates claimed to the roster on the booking on and booking off time management system (DMS); and
 - In all instances tested, we found that the overtime had been undertaken by a Constable or Sergeant.
- We tested 40 payments made for overtime dated as claimed in June 2018 by the Origin system. For all of the payments made we were able to confirm that they had been paid accurately in accordance with the information held on the Origin system. We did not find any over payments or payments made at the incorrect rate.
- Review of the reporting arrangements found that an analysis of staff spend against the budgeted spend was reported to the Assistant Chief Constables and relevant superintendents on a monthly basis and that the People Board were receiving regular monthly updates on the overall force position in relation to overtime.

We have agreed **three medium** priority management actions in relation to the following:

- From our review of the rules in the system, we found that overtime claims can be processed for any time period and that there is no restriction on when overtime can be claimed for. Discussions with the HR Professional Support Manager confirmed that there was an expectation that no claims would be approved outside of a three-month limit but we found that this was not detailed within the procedure or enforced by the Origin system. We observed in our testing of September 2018 officer claims that 10 claims were made for overtime undertaken in more than three months before the authorisation date. Our testing of June payments found 10 staff claims and 14 officer claims dated more than three months before the payment date. **(Medium)**
- Regular management information is reported to the People Board including global information in relation to total overtime hours worked and a departmental breakdown. However, there is no detail included in relation to the types of overtime worked and what the financial implications are. This level of information would assist the People Board in being able to effectively manage and monitor the use of overtime and provide a direct link to the departmental information produced by the Finance team for individual departments. **(Medium)**
- Discussions with the HR Professional Support Manager highlighted that previously approval of overtime had been delegated to Chief Inspectors, however a decision was taken in 2015 to devolve this responsibility down to the line managers who were able to confirm whether employees have undertaken overtime. This has resulted in a separation of responsibilities with Departmental Heads undertaking budget monitoring responsibilities but no longer approving the actual spend. There is therefore a risk that officers approving overtime are not aware of the financial consequences of their decisions and therefore authorise overtime beyond the budgeted amount for the area. **(Medium)**

We have agreed **one low** priority management action and full details of our findings and actions can be found in section two of this report.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non compliance with controls*		Agreed actions		
	Low	Medium	High	Low	Medium	High	
Overtime	1	(6)	3	(6)	1	3	0
Total	1				1	3	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 DETAILED FINDINGS

Categorisation of internal audit findings	
Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management
1	<p>There is a policy in place that covers overtime and time off in Lieu and this is available to all force staff via the intranet. This policy covers both police officers and staff and includes sections for both.</p> <p>The policy is supplemented by the Police Regulations 2003 which set out the entitlements of police officers and the Police Staff Council (PSC)</p>	Yes	No	<p>During the audit we reviewed the following procedures were in place for the force:</p> <ul style="list-style-type: none"> Overtime and TOIL procedure; and Origin Time Management system procedures for police officers, police staff and flexi workers. <p>We confirmed that all the procedure were reviewed and in line with the Police Regulations 2003. All procedure notes were available to staff on the intranet, and the procedures were available on the Government website.</p> <p>The Overtime and TOIL Procedure had a retention review date of the 30 June 2017 and discussions with the HR Professional Support Manager confirmed that the procedure was reviewed as part of the implementation of the new PSC handbook in April 2017 to ensure it remained compliant, therefore the belief it that the date on the procedure is incorrect.</p>	Low	<p>Overtime and TOIL procedure to be updated with the correct review date.</p> <p>Responsible Officer: HR Professional Support Manager</p> <p>Implementation Date: December 2018</p>

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	Handbook 2017, which sets out the rates for police staff for working additional hours.			<table border="1"> <thead> <tr> <th colspan="3">Risk Exposure</th> <th colspan="3">Root causes</th> </tr> </thead> <tbody> <tr> <td colspan="3">There is a risk that individuals are not following the correct procedure.</td> <td colspan="3">Lack of evidence of review of the procedure.</td> </tr> </tbody> </table>			Risk Exposure			Root causes			There is a risk that individuals are not following the correct procedure.			Lack of evidence of review of the procedure.										
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2	<p>The force uses the Origin system that ensures that there is an automatic enforcement of the overtime rules as per the Police Regulations and the PSC Handbook.</p> <p>These rules are input into the Origin system by the Resource Management Unit and are applied to all claims processed.</p> <p>Claims must be made within a three month period of the actual overtime taking place.</p>	Yes	No	<p>Discussions with the Corporate RMU manager noted that the rules for the police officers were built into the time management system. Access to amend these rules is restricted to the RMU Manager and the RMU Team Leader and we verified this by viewing their access rights on the Origin system.</p> <p>We obtained evidence of the rules in the system and found that the system took into account the different rules in place. From our review of the rules in the system we found that overtime claims can be processed for any time period and that there is no restriction on when overtime can be claimed for.</p> <p>Discussions with the HR Professional Support Manager confirmed that there was an expectation that no claims would be approved outside of a three month limit but we found that this was not detailed within the procedure or enforced by the Origin system.</p> <p>We observed in our testing of September officer claims that 10 claims were made for overtime undertaken in more than three months before the authorisation date. We found seven claims relating to the previous financial year covering the period April 2017 to November 2017</p> <p>Our testing of June payments found 10 staff claims and 14 officer claims dated more than three months before the payment date, this included one claim relating to January 2017 which should have been paid in financial year 2016 / 2017.</p>						Medium	<p>Procedure will be amended to state that there is a three month limit on the processing of overtime claims and this will be enforced in the Origin system.</p> <p>Responsible Officers:</p> <p>HR Professional Support Manager and RMU Manager</p> <p>Implementation Date:</p> <p>31 March 2019</p>															

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3	The People Board receives monthly reports detailing the use of overtime globally throughout the organisation. They monitor the use of overtime within the organisation at a global level, whilst also identifying areas of concern with regards to overtime spend.	Yes	No	<p>We obtained the People Board reports from April 2018 and August 2018 and confirmed that the metrics being reported included global information in relation to overtime. We identified that in June and September 2017 almost 14,400 hours of overtime were worked in these months, showing that there was a high overtime requirement in these months.</p> <p>Discussions with the HR Professional Support Manager identified that these were high because there were public holidays in each of the preceding months (overtime paid a month in arrears). We found that the overtime worked in 2018 is significantly lower than that undertaken in 2017, with the highest month to date being April of approximately 8,000 hours worked. This was high due to the Easter bank holiday falling in March this year and the knock-on effect for April 2018 overtime.</p> <p>Minutes of the People Board are redacted due to the personal nature of the information, but we viewed these minutes and confirmed that discussions were ongoing regarding overtime and confirmed that the Chief Finance Officer, in particular, was paying attention to the use of overtime.</p> <p>However, whilst the information being reported to the People's Board provides an overall and departmental breakdown of the total overtime hours worked, there is no detail included in relation to the types of overtime worked and what the financial implications are. This level of information would assist the People Board in being able to effectively manage and</p>	Medium	<p>Consideration should be given to enhancing the information reported to the People's Board to include detail in relation to types of overtime worked (planned and reactive, across departments) and the financial implications.</p> <p>If trends in overtime, particularly reactive, are identified then work will be completed with the department to understand if this can be managed in a more planned way, moving forward.</p> <p>Responsible Officers:</p> <p>HR Professional Support Manager, RMU</p>																								

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4	Missing control	No	-	<p>Discussions with the HR Professional Support Manager highlighted that previously approval of overtime had been delegated to Chief Inspectors, however a decision was taken in 2015 to devolve this responsibility down to line manager who were able to confirm whether employees have undertaken overtime.</p> <p>Review of the reporting arrangements found that an analysis of staff spend against the budgeted spend was reported to the Assistant Chief Constables and relevant Superintendents on a monthly basis and this was introduced in April 2018 in order to control overtime expenditure. However, there was a lack of evidence that this information is then utilised and discussed with the line managers actually responsible for authorising this. This has resulted in a separation of responsibilities with Departmental Heads undertaking budget monitoring responsibilities but no longer approving the actual spend.</p> <table border="1"> <thead> <tr> <th colspan="3">Risk Exposure</th> <th colspan="3">Root causes</th> </tr> </thead> <tbody> <tr> <td colspan="3">There is a risk that officers approving overtime are not aware of the financial consequences of their decisions and therefore authorise overtime beyond the</td> <td colspan="3">Budget information is not utilised enough to prevent unnecessary overtime spend.</td> </tr> </tbody> </table>	Risk Exposure			Root causes			There is a risk that officers approving overtime are not aware of the financial consequences of their decisions and therefore authorise overtime beyond the			Budget information is not utilised enough to prevent unnecessary overtime spend.			Medium	<p>Consideration should be given to the delegated approval levels for approving overtime claims and whether budget information should be provided to line managers responsible for authorising overtime.</p> <p>Responsible Officers:</p> <p>HR Professional Support Manager, RMU Manager and Senior Accountant</p> <p>Implementation Date:</p> <p>March 2019</p>												
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				budgeted amount for the area.					
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APPENDIX A: SCOPE

The scope below is a copy of the original document issued.

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following area:

Objectives of the area under review

To ensure the use of overtime is essential in order to maintain a specific level of service or completion of a specific task and is appropriately reviewed and approved.

When planning the audit, the following areas for consideration and limitations were agreed:

Areas for consideration:

- Up to date policies and procedures are in place which provide a framework to managing overtime effectively. The policies and procedures have been disseminated to staff.
- We will consider the entitlement to overtime in the following areas and confirm the correct amount has been paid and the overtime has been approved:
 - Planned;
 - Casual;
 - Recall to duty; and
 - Rostered rest day.
- Overtime rules built into the Origin system reflect Police Regulations.
- Police staff / officer overtime has been recorded, approved and paid accurately. We will consider the governance arrangements surrounding the approval of overtime.
- Review and management of overtime globally by the force.
- Appropriate checks are undertaken on payments prior to payment release.
- Review of Chief Inspectors process to manage overtime incurred.

Limitations to the scope of the audit assignment:

- We will not review the budget setting for overtime or confirm the overtime budget will be achieved at year end.
- We will not confirm compliance with the Police Regulations.
- We will not review compliance with the health and safety legislation or working time regulations.

- We will not consider the appropriateness of overtime payments made, only that these are the correct amounts due to them.
- We will not comment on the routine processing of the payroll.
- Testing will be completed on a sample basis from transactions within the current year.
- Our work does not provide absolute assurance that material error; loss or fraud does not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- HR Professional Support Manager
- Accountant
- Head of Payroll
- RMU Manager
- RMU Team Leader

Documentation reviewed during the audit:

- Overtime and TOIL Procedure
- Origin Time Management Procedure
- Overtime performance monitoring information
- People Board reports

FOR FURTHER INFORMATION CONTACT

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