

# Audit of Flexitime and Toil

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## Audit Report Distribution

<b>For Action:</b>	Service Support Supervisor Administrative Assistant HR Manager
<b>For Information:</b>	Service Support Team Leader Chief Finance Officer Chief Executive Principal Auditor Deputy Chief Finance Officer
<b>Audit Committee:</b>	The Audit Committee, which is due to be held on 19/3/18 will receive summary findings and recommendations from this audit.

## Executive Summary

### 1.0 Background

- 1.1. This report summarises the findings from the audit of Flexitime and Toil. This was an internal audit review included in the 2017/18 risk-based audit plan agreed by the Audit Committee on 16<sup>th</sup> March 2017.
- 1.2 The Flexi Time and Toil Schemes are both in place to enable staff to have more flexibility on how they work to meet both their own needs and those of the Council. The Flexitime Scheme is a discretionary benefit, offered to employees whose working arrangements allow for an element of flexibility. It is not suitable for employees whose duties require a fixed working pattern.
- 1.3 The City Council has had a flexi scheme for many years but different teams had developed different ways of interpreting it, which led to issues about how fairly the scheme has operated. In 2013 the scheme was fully reviewed and is now administered by the Service Support Team.

### 2.0 Audit Approach

#### Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

#### Audit Scope and Limitations.

- 2.3 The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Lead for this review was the Service Support Supervisor and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following scope areas:
  - Risk 1 – Abuse, inconsistent approach and potentially fraudulent claims due to lack of awareness and non-adherence to policy.
  - Risk 2 – Health and wellbeing of staff is compromised, which could result in financial and/or reputational damage to the Council due to non-compliance with employment legislation.
  - Risk 3 – Processes are time consuming resulting in excessive cost to accurately maintain the records.

- Risk 4 – The machinery/system is out dated or limited, resulting in a lack of resilience.

2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

### **3.0 Assurance Opinion**

3.1 Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix B**.

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Flexitime and Toil to provide **Reasonable assurance**.

*Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

## **4.0 Summary of Recommendations, Audit Findings and Report Distribution**

4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**.

4.2 There are **3** audit recommendations arising from this audit review and these can be summarised as follows:

<b>Control Objective</b>	<b>High</b>	<b>Medium</b>
<b>1. Management</b> - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	-
<b>2. Regulatory</b> - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	2
<b>3. Information</b> - reliability and integrity of financial and operational information (see section 5.3)	-	1
<b>4. Security</b> - safeguarding of assets (see section 5.4)	-	-
<b>5. Value</b> – effectiveness and efficiency of operations and programmes (see section 5.5)	-	-
<b>Total Number of Recommendations</b>	-	<b>3</b>

**4.3** Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in **Appendix A**.

**4.4 Findings Summary (good practice / areas for improvement):**

Concise summary of good practice and improvements identified (summary of findings from below)

Service Support staff have a good knowledge of the policy and apply this when processing adjustments to the flexi system. In addition, they are devising new controls to keep managers regularly up-dated with balances within their team.

There are variations in practice and the policy lacks clarity in some areas, resulting in inconsistent interpretations of the policy within the Council.

The Flexitime and Toil Policies support the health and wellbeing of the staff. Employment legislation is complied with through the policies and the administration of them.

The time taken to process the administration of the flexi system is monitored and the information is available to management on request. The time is not considered excessive.

The Zeus Clocking in machines are still provided by the supplier. There are also machine spare parts within the Authority. There are no short term issues regarding its resilience.

**Comment from the Chief Finance Officer**

A good report by the internal audit team which has highlighted some inconsistencies in the use of flexitime and TOIL, one of the main reasons for the fundamental review of the policy in 2013. Any recommendations will be followed up by the relevant Service Manager/Officer and implemented within the agreed timescales.

## 5.0 Audit Findings

### 5.1 Management – Achievement of the organisation’s strategic objectives

#### Audit Findings

**5.1.1** There are policies in place for the flexi and toil systems, they are available to managers and staff via the Council’s intranet. The Policies were fundamentally reviewed in 2013 but have not been reviewed recently; however, the HR team has scheduled full reviews in 2018/19. It is advised that this piece of work should be picked up as soon as is possible to address the issues raised within this report. The HR Manager has advised that there are other significant workloads within the HR team including GDPR and implementation of Office 365. The review of the flexi policy is therefore unlikely to be picked up in the first half of this year.

**5.1.2** The Council has a confidential reporting policy in place that enables staff to report any concerns they have, including misuse of the flexi system.

### 5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

#### Audit Findings

**5.2.1** Officers within Service Support process all requested adjustments to officer’s flexi records. Adjustments are received from the authorising line managers to the shared “Flexi” email account. Staff are experienced and trained within the team prior to processing adjustments. Support Services monitor the flexi adjustments and save the emails for evidence of authorised changes.

**5.2.2** A sample of amendments was reviewed to ensure they were all in line with policy and authorised appropriately. Testing concluded there are some variations outside of policy, these include:

- A case of an employee being credited for a medical appointment on a non-work day;
- Deductions automatically being made for lunch breaks being re-credited;
- Employees claiming traveling time for medical appointments;
- Transfer to flexi bank as the employee had reached the balance limit and would have lost credit for hours worked. This is not the agreed policy for utilising the flexi-bank (which should be approved in advance)

**5.2.3** Service Support staff challenge any deviations from policy whilst processing adjustments. It is acknowledged that they are a processing team but the queries

and challenge help ensure consistency to adjustments. Any adjustments that they feel are outside of policy are referred to HR.

- 5.2.4** It is recognised that minor variations to policy are always likely to be a common event and none of the issues identified above were deemed a significant abuse of the system. However, it is advisable that regular reminders are issued to all staff to ensure the policy is adhered to.
- 5.2.5** There are inconsistent approaches applied to medical appointments across the authority, with some managers allowing for them to be taken in working time and others not.
- 5.2.6** A new Special Leave policy is now in place following approval by the Employment Panel. This policy will address the current discrepancies with medical appointments. The policy sets out a time allowed for all medical appointments outside of the Equality Act. A HR Advisor is carrying out a presentation of the policy at the March 2018 Manager's briefing. This guidance should be incorporated into the Flexi policy when it is next reviewed.
- 5.2.7** Flexi bank records reviewed were all authorised by Directors. Many of the adjustments to the flexi bank were found to be transferring hours to the flexi bank to prevent staff losing credit for hours worked outside the stated limits. Discussions with Service Support staff and a review of flexi-bank records indicated this practice was prevalent.
- 5.2.8** The Flexi Policy states flexi bank accounts "*must be approved in writing by the Director **before the hours are worked**. When Flexibank hours are approved it must also be agreed by the Director, Manager and Employee when the accrued hours will be taken. Time over 15 hours will be 'banked' and recorded on the Directorate Flexi bank Form*" In most cases there was no prior approval.

**Recommendation 1: The use of the Flexi bank procedures should be reviewed to ensure they are applied consistently.**

- 5.2.9** Toil balances were reviewed and although some were outside of the policy's limits line managers were aware of the situation and have authorised the exceptions. The HR team is also aware of the exceptions and is working with managers to resolve long standing high balances. There are two cases of significantly large toil balances, both have suitable approval and the relevant directors have confirmed they are aware of and working to resolve the issue.

- 5.2.10** Services Support are reinstating a form to send to all managers monthly, advising them of current balances and deadlines to ensure balances are reduced on a timely basis. Although the current policy states all balances will be lost after 3 months in practice this does not happen. HR Services advised the reminders and the loss of credit balances lost after 3 months would help with the management of TOIL and flexi bank. Often people with high flexi credit balances also have high flexi bank and TOIL balances. There is a risk of breaching the national minimum wage and also working time regulations, as well as an increased likelihood of sickness absence as staff not looking after their own health and wellbeing.
- 5.2.11** Management automatically receive a flexi report twice a week from the Flexi system so are able to confirm adjustments are correctly processed. There is an option for daily reports to be issued if management have any concerns.
- 5.2.12** The system only records start and finish times that are within the agreed working hours. Officers put through adjustments (with Manager approval) for any time outside core hours and all differences are transferred to the Toil balance.
- 5.2.13** The system weakness is unable to flag a warning that officers have worked less than the minimum hours e.g. finishing prior to 2pm without booking leave. However, managers should be checking flexi records twice a week to ensure the policy is adhered to. This was identified as an issue over the Christmas period and HR were informed and issued a corporate reminder to all staff regarding the policy. It is advised that if the system is updated consideration should be given to increasing controls to automatically flag any bookings outside of the policy.
- 5.2.14** There were instances identified of employees claiming in excess of 10 hours (the maximum daily hours allowed to be claimed) for courses and training. Although the policy permits this, the determining factor is when the travel takes place and/or if the travel would usually necessitate an overnight stay. Staff are suggesting the course could necessitate an overnight stay, so are claiming the travelling time.

The policy states:

*“Employees attending courses, seminars and conferences will be credited with a standard working day of 7 hours 24 minutes. Any time beyond this amount spent travelling to or from events can be claimed up to a maximum of 10 hours. This also applies to travel on the day before or after an event subject to the total time for the day, including time actually worked on those days, not exceeding 10*



hours.

*In the case of travelling on Saturdays, Sundays or holidays the maximum allowance will be the actual time spent travelling. Employees who attend a course, seminar or conference which would usually necessitate an overnight stay due to the distance of the event from Carlisle and who travel and return on the same day, thus saving the City Council the cost of an overnight stay, can also claim the actual time spent travelling. In these cases employees can accrue TOIL for any time over 10 hours and this must be approved by the line manager in advance.”*

**5.2.15** There is a need to define what is meant by “necessitate an overnight stay” to ensure policy is consistently applied.

**Recommendation 2 – The flexi policy should more specifically define what can and cannot be claimed with regards to travel for courses and training.**

### 5.3 Information – reliability and integrity of financial and operational information

#### Audit Findings

**5.3.1** Three debit flexi balances were found to be outside of policy, with negative balances in excess of 9 hours being in place for more than 3 months. One of the managers advised they were aware of the issue and that the deficit was being reduced. There was evidence that the negative balances have been flagged with the relevant line managers. As above, Service Support are current rolling out a new monthly report to highlight balances outside of policy.

**5.3.2** There is a concern that managers will not always take action to address non-compliance, as they already get reports twice a week. If employees are found to be outside the policy for a defined time the reports should be escalated to a Senior Manager and HR to ensure that line managers are addressing non-compliance, once it is confirmed that all adjustments with the Service Support Team are processed for that period.

**Recommendation 3 – A further report should be sent to HR when staff are continually outside of policy once it is ensured that that all adjustments within the Service Support Team are processed.**

**5.4 Security – Safeguarding of Assets**

**Audit Findings**

- 5.4.1** The equipment used to process the swipe cards and record information to the electronic system is still supported by the provider. In addition, the Council has spare parts to repair equipment. There are no short term issues regarding the equipment's resilience.

**5.5 Value – effectiveness and efficiency of operations and programmes**

**Audit Findings**

- 5.5.1** Service Support Supervisor monitors the time spent on administration of the flexi system, to ensure that the time is reasonable. The time spent information is retained for management.
- 5.5.2** The system is reliant on the completion of adjustments and authorisation by line managers and then the Service Support Team processing, monitoring and challenging adjustments. This ensures that the adjustments are compliant with policy and that a consistent approach is applied across the Authority. It is advised that if the system is updated consideration should be given to introducing to a less manual system with improved controls to help ensure managers comply with Policy.

## Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
<b>Recommendation 1:</b> The use of the Flexi bank procedures should be reviewed to ensure they are applied consistently.	Priority M	<b>Risk Exposure</b> Abuse, inconsistent approach and potentially fraudulent claims due to lack of awareness and non-adherence to policy	Use of flexi bank procedures will be reviewed alongside the flexi policy and additional guidance issued to Managers and staff, if appropriate.	HR Manager	By March 2019
<b>Recommendation 2:</b> The policy should be more specific with regards to guidance for travel for courses / training.	Priority M	<b>Risk Exposure</b> Abuse, inconsistent approach and potentially fraudulent claims due to lack of awareness and non-adherence to policy	Existing guidance for travel time, expenses and mileage will be updated for Managers and staff to supplement the current Flexitime scheme.	HR Manager	By March 2019
<b>Recommendation 3:</b> A further report should be sent to HR when staff are continually outside of policy once it is ensured that that all adjustments within the Service Support Team are processed.	Priority M	<b>Risk Exposure</b> Abuse, inconsistent approach and potentially fraudulent claims due to lack of awareness and non-adherence to policy	Report will be sent out following the period end of the 15 <sup>th</sup> March 2018. Highlighted all officers outside of policy.	Service Support Supervisor	End of March 2018

## Appendix B

### Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
<b>Substantial</b>	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Improvements, if any, are of an advisory nature in context of the systems and operating controls &amp; management of risks.</p>
<b>Reasonable</b>	There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>
<b>Partial</b>	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	<p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high priority matters for address.</p>
<b>Limited / None</b>	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>

# Appendix C

## Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations used; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).