

Internal Audit Report

Overtime and Expense Payments

2 May 2024

CD2306

Overall Assessment	Reasonable Assurance
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This Internal Audit review is conducted for the City of Edinburgh Council under the auspices of the 2023/24 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2023. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as a result is not designed or intended to comply with any other auditing standards.

Although there are specific recommendations included in this report to strengthen internal control, it is management’s responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the City of Edinburgh Council. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and elected members as appropriate.

Executive Summary

Overall
Assessment







Reasonable
Assurance

Overall opinion and summary of findings

There is generally a sound system of governance, risk management and control in place for the management of overtime and expenses across the Council. However, the following improvement opportunities were identified:

- policies, procedures, and guidance documents related to overtime and expenses should be reviewed for relevance and a periodic review of these documents implemented
- there is scope to improve the guidance and role specific learning to aid managers in conducting an effective review of overtime and expense claims
- the current HR (iTrent) system does not have the capacity to determine the authorisers of all overtime and expense claims
- there is variation between directorates on the amount of discussion of overtime at Senior Management Team level and reports on expense should be provided.

Audit Assessment

Audit Area	Control Design	Control Operation	Findings	Priority Rating
1. Overtime and expenses policies, training, and communication			Finding 1 – Review of Policies and Procedures	Low Priority
2. Overtime expenses and authorisation			Finding 2 – Manager Review of Claims, and Role-Specific Learning	Medium Priority
			Finding 3 – Tracking Overtime and Expense Authorisers	Medium Priority
3. Overtime monitoring and oversight			Finding 4 – Senior Management Review of Overtime and Expenses	Low Priority

Areas of good practice identified

- across the Council there is a clear understanding that the Council needs to control overtime expenditure, and determine the underlying causes for the use of overtime
- changes to pay policy and guidance are effectively communicated to managers and colleagues
- managers receive monthly reports on overtime for their area and discuss this information with their teams and/or direct reports
- the quarterly workforce [dashboard](#) provided to the Council Leadership Team and the Council's Finance and Resources Committee gives a clear summary of overtime spend at Council level, broken down by month to enable scrutiny of overtime expenditure.

[See Appendix 1 for Control Assessment and Assurance Definitions](#)

Background and scope

Overtime is defined as any hours that are worked which are more than normal contractual working hours on a daily or weekly basis. Overtime and expenses are areas susceptible to high fraud risk, specifically from inflated claims for time or expenses. Overtime spend is also an area of improvement noted by the City of Edinburgh Council (the Council) and is the focus of a key workstream of the Council's Change Programme.

All overtime in the City of Edinburgh Council is paid at time and a half, regardless of the day the overtime takes place, apart from public holiday overtime, which is paid at double the rate, and should be authorised in advance. Part-time colleagues must work the equivalent of 36 hours to be paid overtime rates.

Only colleagues at grades 1-7 can claim overtime at their normal rate of pay, with any colleagues above grade 7 being paid at the top point of the grade 7 rate, although this should be in exceptional circumstances only. All overtime should be [claimed](#) either online via the myHR system or through documents submitted by the manager where colleagues do not have routine online access or multiple colleagues claim overtime. Since April 2022, all overtime claims have required a reason for the claim to be made, which is recorded on myHR.

[Excess and business travel expenses](#) are claimed using the askHR system. [Excess travel](#) expenses occur when a colleague's work location is changed due to circumstances beyond their control. Business travel expenses, which can be mileage allowances, parking expenses, fares and subsistence when on Council business, are claimed using the [travel expenses claim form](#), where the manager is required to keep the evidence provided with the expenses form.

[Overtime](#) and [expenses](#) claim guidance is present on the Orb. All expense claims, including overtime payments, must be authorised by the employee's line manager using either the '[Overtime or unsocial hours](#)' form for individual

employees or the "[Multiple staff payments](#)" form for when a manager has multiple overtime payments to make. Pay claims for overtime are dealt with under the Council's [Pay policy](#).

Scope

The objective of this review was to assess the adequacy of design and operating effectiveness of the key controls established to ensure that overtime and expense payments are made in line with the [Council's Pay Policy](#) and [Overtime guidance](#). The review focused on a high-level review of a sample of areas with high overtime and expenses volumes / values.

Alignment to CLT Risks

- Financial and Budget Management
- Regulatory and Legislative Compliance
- Health and Safety
- Service Delivery
- Fraud and Serious Organised Crime.

Limitations of Scope

The following areas were specifically excluded from the scope of the review:

- unsociable hours payments
- elected members' expense claims
- review of projects and deep dives into use of overtime.

Reporting Date

Testing was undertaken between 25 October 2023 and 15 March 2024.

Our audit work concluded on 15 March 2024, and our findings and opinion are based on the conclusion of our work as at that date.

Findings and Management Action Plan

Finding 1 – Review of Policies and Procedures

Finding Rating	Low Priority
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A review of policies and procedures on the Orb relating to overtime and expenses, highlighted that it was not possible to confirm when the [guidance](#) available on the Council’s intranet pages for expense claims and overtime had last been reviewed.

In addition, it was noted that the [Modernising Pay Handbook](#) is dated 2010. The handbook was developed in response to the introduction of ‘single status’ which was a national agreement to ensure fair and equal pay to staff, and therefore some information within it is historical in nature. It is not clear whether the handbook is still relevant.

The ‘[Authorise a Pay Claim](#)’ page on the Council’s intranet states that it is the manager's duty to review claims, however the [Pay Policy](#) does not state this requirement under the line manager requirement, which may result in a lack of clarity and failure of managers to review claims.

Risks

- **Workforce** – colleagues may be directed to out-of-date information and act upon this, leading to payment delays and / or errors
- **Financial and budget management** – inaccurate payments may occur if roles and responsibilities in relation to review of pay claims are not clear
- **Regulatory and Legislative compliance** – information may be out-of-date and not reflect regulatory / legislative changes.

Recommendations and Management Action Plan: Review of Policies and Procedures

Ref.	Recommendation	Agreed Management Action	Action Owner / Lead Officers	Timeframe
1.1	Human Resources should complete a review of all overtime and expenses guidance documents on the Orb to confirm that they remain relevant and are up to date. This should include a review of the Pay Policy to ensure manager roles and responsibilities are clearly stated.	The 2010 Modernising Pay Handbook contains the current overtime rates, and no formal agreement has been reached to amend these rates since 2010. The relevant Orb pages are however reviewed to record any change in process and these changes are then communicated to managers/colleagues (example included in links). The current Pay Policy states that it is a manager’s responsibility to ensure any information relating to a change in an employee’s salary is submitted to HR before the payroll deadlines on the Orb. The authorisation process also requires managers to approve overtime/expense requests on iTrent before payment is made or sign paper form for those with no system access. This approach significantly mitigates the risks identified by audit colleagues and HR management team are prepared to accept any residual risk until the Pay Policy is reviewed in early 2025.	Executive Director of Corporate Services Head of HR, Consultancy and Policy	N/A - Risk accepted

Finding 2 – Manager Review of Claims, and Role-Specific Learning

Finding Rating	Medium Priority
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[Overtime and expenses guidance](#) on the Council’s intranet states that managers are responsible for the review of claims, and while there is a [video](#) which guides a manager how to approve a claim on My People, there is no guidance or supporting learning that sets out what managers should look for when validating and authorising claims, including a reference to policies and guidance requirements, what evidence must be retained, and the length of time this evidence must be held for.

Testing of a sample of overtime and expense claims indicates that whilst most managers conducted a review of claims with the evidence available to them, there is considerable variation in the rigour of the review, the evidence requested, who retains the evidence, and the length of time evidence is retained.

Review of the sample found the following:

- in 13 (11%) cases, there was limited evidence requested to validate the claim, although in five of these cases this was due to the authoriser advising they had first-hand knowledge that their colleague had worked the overtime claimed
- in 4 (3%) cases, the reviewer approved a claim which later turned out to be incorrect, either due to a duplication of the claim being accepted (1), or the incorrect rate of pay being used (3)
- for 8 (7%) cases, the evidence used to validate the claim had not been retained or was inaccessible due to the authoriser having left the Council

- only 24 (21%) of the managers contacted were able to state a timeframe for which they retained evidence, but in all instances, this did not conform to the Council’s required timeframe of 5 years as per the [Records Retention Schedule](#)
- audit fieldwork also identified a case of a manager who was newly in post and not aware of guidance and requirements for submitting claims for payments to casual workers and that such workers were paid differently from permanent employees. As a result, payment to a casual worker was delayed.

Management have advised that the new HR system due to be implemented in October 2024 will have the functionality to attach a ‘document of record’ to claims in order to provide evidence for the claim itself.

Risks

- **Financial and Budget Management** – claims may not be reviewed in an effective way, leading to overpayments and a consequent pressure on budget
- **Regulatory and Legislative Compliance** - evidence is not retained in line with Records Retention requirements
- **Fraud and Serious Organised Crime** – fraudulent claims may not be identified by the manager.

Recommendations and Management Action Plan: Manager Review of Claims and Role-Specific Learning

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
2.1	Human Resources should communicate guidance to support manager review of overtime and expense claims including claim authorisation best practice, including retention periods and evidence	Agreed -The guidance on the Orb will be updated to explicitly state the retention periods and this will also be communicated to all managers.	Executive Director of Corporate Services	Head of HR, Consultancy and Policy	31/10/2024

	requirements to all managers, and include within role specific learning for managers on the Orb.				
2.2	Managers should review and familiarise themselves with the guidance for review and authorisation of overtime and expense claims including review and retention of evidence.	<p>Corporate Services – Once the Overtime and expense payment guidance is published on the Orb, Operations manager will send out the communication to all the Service directorate and HoS for disseminating it to all the managers to review this guidance and use it for authorisation of overtime and expense claims including review and retention of evidence. This will be reviewed annually under assurance & compliance framework.</p> <p>Place – An annual reminder will be sent to all managers within the directorate encouraging them to review the guidance reviewing and authorising overtime and expense claims including retention of evidence.</p> <p>CEJS – There is ongoing review and oversight of Overtime & Expenses across CE&JS – review of procedures and guidance is a set agenda item at the Performance Meetings.</p> <p>HSCP – Managers will be asked to review and familiarise themselves with the relevant HR guidance in relation to overtime and expenses.</p>	Directorate Executive Directors	Directorate Operations Managers	<p>Corporate Services - 31/12/2024</p> <p>Place – 31/03/2025</p> <p>CEJS – 30/11/2024</p> <p>HSCP - 30/11/2024</p>
2.3	Human Resources should issue a reminder to services to advise that when a new manager is in post, or where a current manager's responsibilities change, guidance and direction should be provided to ensure that new manager knows their responsibilities for processing and approving overtime and expenses payments, including manual claims for casual workers.	The combination of actions in 2.1 (HR communication) and 2.2 (annual directorate communications) will cover this recommendation.	Executive Director of Corporate Services	Head of HR, Consultancy and Policy	31/10/2024

2.4	Human Resources should consider using the new HR system's 'Document of Record' functionality to capture evidence for claims.	The launch of the new HR and Payroll system is scheduled for the autumn of 2024 and the focus is on ensuring the data is correctly migrated and colleagues are paid correctly. Once the system is embedded in 2025 a further review of new functionality will be undertaken however a date for this has not been agreed.	Executive Director of Corporate Services	Head of HR, Consultancy and Policy	30/09/2025
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Finding 3 – Tracking Overtime and Expense Authorisers

Finding
Rating

Medium
Priority

When colleagues submit an overtime or expense claim via the current HR system, a notification is automatically sent to the person’s line manager for authorisation. The line manager can then review the claim or can refer the claim to their own line manager.

Although the current system will log the claim amount and the person making the claim, there is no simple method to establish the officer who authorised it. It was noted that 3 (3%) of the items within the sample of 115 chosen could not be corroborated due to issues in determining the line manager who authorised the claim, and in 7 (6%) cases, the individual indicated to audit as the authoriser was incorrect.

There is currently a project underway to implement a new HR system to replace the Council’s current system. This project is due to be complete in October 2024.

Risks

- **Regulatory and Legislative Compliance** – lack of an audit trail to the authoriser may result in additional delays in the event of an investigation of colleague overtime or expenses
- **Fraud and Serious Organised Crime** – lack of a record of the manager authorising the claim may result in opportunity for fraud and / or collusion.

Recommendations and Management Action Plan: Tracking Overtime and Expense Authorisers

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
3.1	Human Resources should ensure that the new HR system has the capability to log the authoriser for all overtime and expense claims.	Agreed – Both, the current and future HR and Payroll Systems record the individual who authorises an overtime or expenses claim on the system.	Executive Director of Corporate Services	Head of HR, Consultancy and Policy	31/03/2025

Finding 4 – Senior Management Review of Overtime and Expenses

Finding
Rating

Low Priority

During testing, audit reviewed evidence that overtime was discussed at Finance and Resources committee, Council Leadership Team and Senior Management Team (Directorate) levels. It was also noted that the Finance and Resources committee and Council Leadership Team receive the [Quarterly Workforce Dashboard](#), which provides a summary of overtime within the Council by month, including a comparison to the same month in the previous year.

It was however noted, that at Senior Management Team level within Directorates, there is variation in the amount of focus overtime received, with some SMT groups carrying out multiple ‘deep dive’ on the subject, whilst others were unable to provide evidence of more than one discussion on overtime, although it was advised that additional discussion on overtime had taken place in other meetings.

Additionally, it was noted that no colleague expense information (e.g. subsistence, travel costs) is discussed in any forum, as no reports on this area are currently produced for senior management.

Risks





- **Financial and Budget Management** – limited oversight of overtime and expenses may lead to increased budget pressure and no mitigating actions put in place.

Recommendations and Management Action Plan: Senior Management Review of Overtime and Expenses

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
4.1	Senior Management Teams within directorates should review the current level of discussion and monitoring of overtime and expenses to ensure this provides adequate assurance of oversight and action being taken as needed.	<p>Corporate Services – Service directors and HoS will discuss issues identified on overtime or expenses with individual managers and/or with management teams if appropriate. If there are any patterns or escalating issues with either overtime or expenses, they will be discussed at CSMT.</p> <p>Place – Heads of service will discuss issues identified on overtime or expenses with individual managers and/or with management teams if appropriate. If there are any patterns or escalating issues with either overtime or expenses, they will be discussed at SMT, but not individual cases.</p> <p>CEJS – There is ongoing review and oversight of Overtime & Expenses across CE&JS: Monthly data and comparisons are</p>	Directorate Executive Directors	Directorate Operations Managers	<p>Corporate Services - 31/03/2025</p> <p>Place – 31/03/2025</p> <p>CEJS – 30/11/2024</p> <p>HSCP- 30/11/2024</p>

		<p>reported at SMT Performance meetings with discussion ongoing around oversight and actions required to ensure accuracy.</p> <p>HSCP – We agree and will implement the recommendation.</p>			
4.2	<p>Directorate management should consider reviewing summary reports of colleague expenses to identify high areas of spend and areas where a review of spend may be beneficial.</p>	<p>Corporate Services – Operations manager will review the expense reports on a six monthly basis to identify high areas of spend and areas where a review of spend may be beneficial.</p> <p>Place – Place Heads of Service will be contacted by the Place Operations Manager to identify if expenses reports are required for their service, they will consider reviewing the information provided.</p> <p>CEJS – There is ongoing review and oversight of Overtime & Expenses across CE&JS: Expense reports are reported to monthly SMT Performance meetings – discussions and high spend areas are highlighted to Senior Managers to look into with Teams.</p> <p>HSCP - We agree and will implement the recommendation.</p>	<p>Directorate Executive Directors</p>	<p>Directorate Operations Managers</p>	<p>Corporate Services - 30/06/2025</p> <p>Place – 30/06/2025</p> <p>CE&JS – 30/11/2024</p> <p>H&SCP- 30/11/2024</p>

Appendix 1 – Control Assessment and Assurance Definitions

Control Assessment Rating		Control Design Adequacy	Control Operation Effectiveness
Well managed		Well-structured design efficiently achieves fit-for purpose control objectives	Controls consistently applied and operating at optimum level of effectiveness.
Generally Satisfactory		Sound design achieves control objectives	Controls consistently applied
Some Improvement Opportunity		Design is generally sound, with some opportunity to introduce control improvements	Conformance generally sound, with some opportunity to enhance level of conformance
Major Improvement Opportunity		Design is not optimum and may put control objectives at risk	Non-conformance may put control objectives at risk
Control Not Tested	N/A	Not applicable for control design assessments	Control not tested, either due to ineffective design or due to design only audit

Overall Assurance Ratings	
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Finding Priority Ratings	
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.
Low Priority	An issue that results in a small impact to the achievement of objectives in the area audited.
Medium Priority	An issue that results in a moderate impact to the achievement of objectives in the area audited.
High Priority	An issue that results in a severe impact to the achievement of objectives in the area audited.
Critical Priority	An issue that results in a critical impact to the achievement of objectives in the area audited. The issue needs to be resolved as a matter of urgency.

Appendix 2 – Areas of audit focus and control objectives

Audit Area	Control Objectives
1. Overtime and expenses policies, training, and communication	<ul style="list-style-type: none"> • There are clear policies and procedures for the management of overtime and expense payments, which are reviewed and updated on a regular basis • The policies and procedures have been communicated effectively to colleagues and managers • Role specific learning is undertaken by managers to ensure they correctly review and authorise overtime and expense claims.
2. Overtime expenses and authorisation	<ul style="list-style-type: none"> • Overtime claims are authorised in advance where applicable • Overtime and expense claims are correctly stated by colleagues • Overtime and expense claims have sufficient evidence to enable the manager to confirm the claim amount • Overtime and expense claims are correctly reviewed and authorised, including confirmation that colleagues are eligible to make the claim • Managers retain expense receipts in line with the records retention schedule.
3. Overtime monitoring and oversight	<ul style="list-style-type: none"> • Overtime and expenses information is accurately recorded and reported to senior management • Overtime and expenses are regularly and actively monitored by senior management and committee, where appropriate, with evidence of sufficient challenge where abnormal/unusual overtime is encountered • Senior management consider and implement strategic approaches to managing overtime and expenses, including strategies to reduce and limit spend.