

APPENDIX D

INTERNAL AUDIT REPORT

LEICESTERSHIRE FIRE AND RESCUE SERVICE

FIREFIGHTERS' TIME-OFF-IN-LIEU SYSTEM

NOVEMBER 2006

Date: November 2006

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LEICESTERSHIRE COUNTY COUNCIL
LEICESTERSHIRE FIRE AND RESCUE SERVICE
FIREFIGHTERS' TIME-OFF-IN-LIEU SYSTEM
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1. INTRODUCTION

- 1.1 A review of the system used to record and manage Time-Off-In-Lieu (TOIL) for the Leicestershire Fire and Rescue Service (LFRS) was undertaken as part of the 2006/07 Audit Plan.
- 1.2 Prior to November 2005, Fire Fighters could accrue TOIL in one of two ways:
- i) Time Bank – this is where annual leave could be transferred over to the ‘time bank’ and used when required in smaller portions over a period of time.
 - ii) TOIL – this is where time accrued for extra hours worked could be entered, and again taken off when required in smaller portions.

Two separate forms were completed to distinguish between the two types of TOIL, however, the same form was actually used with the heading on one manually altered to differentiate between the two.

A new system for recording TOIL was introduced in November 2005. Whilst it is understood that the new system replaced the previous system, under this system, Fire fighters are not allowed to transfer annual leave to ‘Time Bank.’ The previous two forms used in the past have been replaced with one form.

2 THREATS, RISKS AND ASSOCIATED CONTROL OBJECTIVES

- 2.1 Our approach is to firstly identify any inherent risks to the system achieving its objectives and agree priorities with the appropriate manager, so that audit resources are concentrated on the higher risk areas. Once the potential risks and the likely effect have been agreed, we aim to identify what might cause them and then confirm that controls have been built into the system and they are sufficient and adequate to prevent, eliminate or minimise the risk.

For this audit, the risks identified were:

Financial risk, with effect that unnecessary or excessive costs arise, which might be caused by:

- Unclear/no rules/criteria
- Flouting/not understanding rules/criteria
- Lax management of rules/criteria

- Duplication of TOIL taken as well as payment made
- Inflated (inaccurate) payment
- Laborious cost of administration of TOIL scheme
- 'Time-bank' balances inflated when transferred to TOIL
- 'Time-bank' balances still being used
- No ongoing indicator of year end financial liability

Reputational risk with the effect that optimum service isn't provided, which might be caused by:

- Allowing TOIL to be taken at inappropriate time

We consider the objectives of the controls are to ensure that: -

1. There's a consistent approach to and application of TOIL.
2. TOIL incurred and taken is bona-fide, recorded, accurate and authorised.
3. TOIL paid is due and accurate.
4. TOIL allowed doesn't disrupt the service.

3 **SCOPE**

3.1 The audit involved an appraisal of the systems in place for the adequate monitoring and recording of time accrued.

3.2 The following areas were examined as part of the review:

- Time Bank/TOIL records (FIN/OT7 – old system)
- TOIL records (FIN/OT2 – new system)
- Casual overtime records

4 **PROCEDURE**

4.1 Discussions were held with the following staff to ascertain the procedures in place for the management and operation of the system: -

- John Ong – Station Manager, Western Fire Station
- Wilf Singleton – Station Manager, Coalville Fire Station
- Ez Millett – Station Manager, Hinckley Fire Station

4.2 Samples were selected from both the previous system and the new system although testing was kept to a minimum.

5 **FINDINGS**

For those areas audited that we consider it is necessary to report our findings, the table (appendix 1) shows the controls we would expect to find in place, what was found, any perceived risks and our suggested recommendation to improve the control within the system.

6 CONCLUSION

On the whole, the system appears to be working satisfactorily with time recorded accurately and appropriately authorised. Improvement of some written instructions and procedures provided to Station Managers is still required

OVERALL OPINION

Based upon the answers provided during the audit and the testing undertaken, **substantial assurance** can be given that the internal controls in place to reduce exposure to those risks currently material to the system's objectives, are adequate and are being managed effectively. Although a number of important recommendations to bring about improvements have been made, none of these have a "high importance" rating signifying that a particularly serious control weakness has been identified.

At least one "Efficiency Gain" recommendation has also been made and this is referenced (**E**). These types of recommendations are made whenever we consider that reducing either current controls or processes will not cause the risk of error or poor quality of work to exceed an acceptable level. Adopting the recommendation would therefore release resources for more productive use.

7 ACTION PLAN

Rec'n. Ref.	Ref. to Finding No.	Responsibility	Proposed Implementation Date (by end of)	Management Response
7.1	5.1 & 5.3	Tim Herbert, Area Manager, Community Safety, LF&RS	December 2006	Agreed
7.2	5.1	Tim Herbert, Area Manager, Community Safety, LF&RS	December 2006	Agreed
7.3	5.1	Tim Herbert, Area Manager, Community Safety, LF&RS	December 2006	Agreed
7.4	5.2	Tim Herbert, Area Manager, Community Safety, LF&RS	December 2006	Agreed
7.5	5.4	Tim Herbert, Area Manager, Community Safety, LF&RS	December 2006	Agreed
7.6	5.5	Tim Herbert, Area Manager, Community Safety, LF&RS	December 2006	Agreed
7.7	5.6	Tim Herbert, Area Manager, Community Safety, LF&RS	December 2006	Agreed

APPENDIX 1

Ref. No.	Expected Control	Findings	Risks	Recommendations
Control Objective 1: There is a consistent approach to and application of TOIL.				
5.1	<p>There is a clear, up to date policy and guidance exists outlining: -</p> <ul style="list-style-type: none"> • criteria i.e. allowable for what purposes • maximum credits allowable • to be used by • conversion from normal time into TOIL time • procedures to be followed • forms to be used • records to be kept • dates to be adhered to 	<p>The policy has been updated in August 2006 and includes criteria allowable and maximum credits allowable in any one year i.e. 1st November to 31st October (new system). Dates referred to relate to the 'new' system. However, there is no reference made as to what forms need to be completed at the end of the year re: outstanding time. This was identified during the audit, and raised as a query by both Internal Audit and some of the Station Managers with the Community Safety Officer. Following numerous telephone calls from stations to Finance, guidance was issued by way of a Routine Order dated 13/10/06, and an electronic form was subsequently issued.</p> <p>From discussions with watch managers, on the whole time bank balances are generally low, with just the odd ones which are >18 hours. If this is to be taken as average then the remaining time bank balances may not be too high. However, there is no deadline for when time accrued under this system should be used by, although one Station Manager interpreted that it is implied that it should be used first.</p> <p>There is no reference made as to how long records should be retained for.</p>	<p>If stations are unaware of procedures to follow at year end, there will be inconsistencies between stations.</p> <p>If a decision is not made as to when the 'old' time bank system will finally terminate, and what would be done with outstanding balances, there is a risk that time will be outstanding for several years.</p> <p>Records may be held indefinitely for no reason.</p>	<p>Although instructions have now been issued to Fire Stations, these should be incorporated in the official procedure manual. (See Action Plan ref. 7.1)</p> <p>A decision needs to be reached as to when the 'old' system will end and what should be done with any outstanding time owed, i.e. pay or transfer over to the new system. (See Action Plan ref. 7.2)</p> <p>Document retention periods should also be included in the policy. (See Action Plan ref. 7.3)</p>

Ref. No.	Expected Control	Findings	Risks	Recommendations
Control Objective 2: TOIL incurred and taken is bona-fide, recorded, accurate and authorised.				
5.2	Individual TOIL records are kept on the correct form FIN/OT2 or FIN/OT7	<p>Our sample testing at two stations revealed that TOIL was within criteria, sufficiently evidenced, correctly converted and recorded, and was authorised by crew manager and above. Individual TOIL records are kept:</p> <p>Old System: FIN/OT7 – Time Bank accrued (Where annual leave can be transferred to be used as and when) FIN/OT7 – TOIL, i.e. same form as above with the ‘Time Bank’ crossed off and replaced with ‘TOIL’. Includes time accrued when incidents over-run or awaiting cover, etc.</p> <p>New System: OT2 – replaces the above 2 forms.</p> <p>Records maintained at Fire Stations were as follows:</p> <p>Western – all forms were retained.</p> <p>Coalville – where balances were nil, FIN/OT7s had been taken out and filed separately (although these were seen).</p> <p>Hinckley – All forms were retained. However, the Station Manager kept his own file of photocopies of all individual fire-fighter’s forms. These were updated every time a request was made for leave.</p>	<p>There may be inconsistent practices in different Stations.</p> <p>Unnecessary records are maintained and resources wasted in reconciling the two sets of records.</p>	<p>There should be a consistent approach with regard to the filing/maintenance and retention of records.</p> <p>Consideration should be given to <u>not</u> maintaining a duplicate set of records at Hinckley.</p> <p>E (See Action Plan ref. 7.4)</p>

Ref. No.	Expected Control	Findings	Risks	Recommendations
5.3	Balances are zeroed from 1 st November	The system for TOIL commenced on 01/11/05. According to the new procedures, balances will be zeroed on 01/11/06. Instructions relating to year end procedures were issued by way of a Routine Order on 13/10/06. These have yet to be incorporated in the official procedure manual.	If stations are unaware of procedures to follow at year end, there will be inconsistencies between stations.	(See Action Plan ref. 7.1)
5.4	Applications for taking TOIL are completed in advance and on the correct form Per11a?	<p>Western – Per11as’ are not retained for audit inspection as per the procedures. According to the Station Manager there is no necessity to keep the forms as the time has been taken, recorded on individual records and on ‘Fire-watch.’</p> <p>Coalville – there was little evidence of Per11as’ been completed and retained.</p> <p>Hinckley – there was little evidence of Per11as been completed and retained (Checked red watch file)</p> <p>According to the Station Managers at Coalville and Hinckley, the forms should be completed and retained, but could not guarantee that this was always happening due to been called out to attend to fires/emergencies.</p>	If Per11as’ are not retained as the information is recorded on Fire watch, the need to complete and retain is questionable.	<p>Consideration should be given for the need to complete Per11as’ in light of the information being recorded on individual’s TOIL records (OT2 and Fire Watch).</p> <p>(See Action Plan ref. 7.5)</p>

Ref. No.	Expected Control	Findings	Risks	Recommendations
Control Objective 3: TOIL paid is due and accurate				
5.5	Manager sample checks that TOIL due to be paid hasn't already been taken (i.e. duplication)?	<p>There is no scope for this to happen within the 'new' system as the same form is used.</p> <p>With regard to casual overtime, the book used is ruled off when a claim is submitted for payment (every Wednesday).</p> <p>However, there are some inconsistencies in the info recorded in the casual overtime books in that at Coalville staff have to indicate 1 of 2 columns to confirm whether they want the time 'paid' or 'accrued'. Whereas, at Western, only time to be 'paid' is recorded in the book. Staff have to inform the relevant watch/crew manager if they want the time 'paid' or 'accrued'.</p> <p>Hinckley – not a problem as only one person claims, all the rest accrue time.</p>	Although no testing was undertaken, a risk was identified at Western in that it is possible for staff to claim both casual overtime and accrue time as there are no controls in place to ensure that only one of the above is taken.	<p>Records maintained to record casual overtime should be consistent at all fire stations.</p> <p>(See Action Plan ref. 7.6)</p>
5.6	High TOIL un-used balances are reported to Finance/Management to indicate the likely financial impact.	<p>Not yet done for 'new' system. Presume needs to be done, but no requirement from HQ/Finance.</p> <p>Also, the recently updated procedures state that no more than 18 hours TOIL will be put forward at the end of any 12 month period. Therefore, it is understood that anything in excess of 18 hours would be lost.</p>	Finance/Management would not be aware of the potential financial impact should they decide to pay for any high TOIL un-used balances from the previous system unless this information is requested from Stations.	<p>If information regarding high TOIL/unused balances is required by finance/management, then this should be incorporated in the procedures.</p> <p>(See Action Plan ref. 7.7)</p>