

Hywel Dda University Health Board

Variable Pay

Draft Internal Audit Report

March 2020

Private and Confidential

NHS Wales Shared Services Partnership

Audit and Assurance Services

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Audit and Assurance Services conform with all Public Sector Internal Audit Standards as validated through the external quality assessment undertaken by the Institute of Internal Auditors.

ACKNOWLEDGEMENT

NHS Wales Audit & Assurance Services would like to acknowledge the time and co-operation given by management and staff during the course of this review.

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1. Introduction and Background

The review of variable pay expenditure within Hywel Dda University Health Board was completed in line with the approved 2019/20 Internal Audit Plan. The relevant lead Executive Director for the review was the Director of Workforce and Organisational Development.

2. Scope and Objectives

The objective of this audit was to review the adequacy of the arrangements in place for the management and control of variable pay, in order to provide assurance to the Health Board that risks material to the achievement of the system's objectives are managed appropriately.

The objectives of the review were to seek to provide assurance that:

- The Health Board has appropriate guidance/procedures in place for the management and control of variable pay;
- Overtime usage is subject to appropriate control, in line with guidance and payments subject to appropriate authorisation;
- Claims for on-call are subject to appropriate control, in line with guidance and payments subject to appropriate authorisation; and
- Use of Time in Lieu is subject to appropriate control and in line with guidance.

3. Associated Risks

The potential risk considered in this review was as follows:

- Variable pay is not subject to adequate management control.


OPINION AND KEY FINDINGS

4. Overall Assurance Opinion

We are required to provide an opinion as to the adequacy and effectiveness of the system of internal control under review. The opinion is based on the work performed as set out in the scope and objectives within this report. An overall assurance rating is provided describing the effectiveness of the system of internal control in place to manage the identified risks associated with the objectives covered in this review.

The overall level of assurance that can be assigned to a review is dependent on the severity of the findings as applied against the specific review objectives and should therefore be considered in that context.

The level of assurance given as to the effectiveness of the system of internal control in place to manage the risks associated with Variable Pay is **Reasonable** assurance.

RATING	INDICATOR	DEFINITION
<p style="text-align: center;">Reasonable Assurance</p>		<p>The Board can take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.</p>





Concluding this review, we noted the Health Board has in place agreed policies and procedures for overtime, on-call and time off in lieu (TOIL). Of the 10 wards/departments reviewed during this audit, we noted that the six wards utilising the RosterPro system were able to demonstrate clear audit trail of planning and recording of overtime shifts and on-call requirements.

However, following testing we noted weaknesses in the overtime and TOIL systems within the Blood Sciences Services Department across the four acute sites that resulted in one key priority recommendation being raised.

In addition, two medium priority recommendations in relation to the management of TOIL hours within wards/departments and the approval of TOIL payment for a Band 8 employee were also identified.

5. Assurance Summary

The summary of assurance given against the individual objectives is described in the table below:

Audit Objective		Assurance Summary*			
					
1	The Health Board has appropriate guidance/procedures in place for the management and control of variable pay				✓
2	Overtime usage is subject to appropriate control, in line with guidance and payments subject to appropriate authorisation			✓	
3	Claims for on-call are subject to appropriate control, in line with guidance and payments subject to appropriate authorisation		✓		
4	Use of Time in Lieu is subject to appropriate control and in line with guidance.			✓	

* The above ratings are not necessarily given equal weighting when generating the audit opinion.

Design of Systems/Controls

The findings from the review have highlighted no issues that are classified as weakness in the system control/design for Variable Pay.

Operation of System/Controls

The findings from the review have highlighted **three** issues that are classified as weaknesses in the operation of the designed system/control for Variable Pay. These are identified in the Management Action Plan as (O).

6. Summary of Audit Findings

The key findings are reported in the Management Action Plan at Appendix A.

OBJECTIVE 1: The Health Board has appropriate guidance/procedures in place for the management and control of variable pay.

The Health Board has a current *Use of Overtime Policy* and an *On-Call Agreement* for staff covered by Agenda for Change terms and conditions of service. We also noted that some departments and services, such as Pathology Blood Sciences Services, work under a separate *Collective Agreement*.

No matters arising.

OBJECTIVE 2: Overtime usage is subject to appropriate control, in line with guidance and payments subject to appropriate authorisation.

A review was undertaken of the top five cost centres for overtime expenditure in 2019/20 and was tested to ensure payments received were subject to appropriate approval.

- PPH Theatres (0049)
- GGH Theatres (0025)
- GGH Blood Sciences (0204)
- BGH EUCC Emergency & Urgent Care Centre (1431)
- GGH Teifi Ward - Orthopaedic & Rheumatology (0019)

All of the departments currently use the RosterPro system to plan and record staff rotas including absences, additional hours and overtime, with the exception of GGH Blood Sciences that record time details on a template spreadsheet. All wards and departments on RosterPro have an assigned individual(s) that are responsible for authorising rotas prior to their submission to Payroll.

All overtime and additional shifts entered into RosterPro required authorisation by a Senior Nurse Manager prior to the file being electronically submitted to Payroll. A walkthrough of a sample of employees within the above departments for the period 17th June – 21st July 2019 confirmed that all pay enhancements and overtime reconciled to the RosterPro rotas.

The Pathology Blood Sciences Services have a *Collective Agreement* in place that sets out the agreed rota schedule (1:9 rota), length of shifts, pay

enhancements and overtime rates that are in line with Agenda for Change arrangements.

A manual claim form is used to capture individuals worked hours per pay period. The claim forms are collated by the Blood Sciences Locality Leads with the information summarised onto a departmental spreadsheet that is then submitted to Payroll on monthly basis.

Testing was undertaken to reconcile the pay enhancements and overtime submitted for the period 3rd June – 4th August 2019 to supporting rota documentation. Concluding testing, the following was identified:

- We were unable to reconcile individuals contracted hours to the rotas held within the department.
- Of six employees sampled for testing, we were unable to reconcile some pay enhancements and overtime totals submitted to Payroll to the supporting rotas.
- One instance was found where the certifying manager endorsed their own claim form by signing-off the summary recording spreadsheet, which contained their own pay enhancements and overtime.
- We noted a number of instances where submitted claim forms had not been signed or dated by the employee.

See Finding 1 at Appendix A.

OBJECTIVE 3: Claims for on-call are subject to appropriate control, in line with guidance and payments subject to appropriate authorisation.

A review was undertaken of the top five cost centres for on-call expenditure in 2019/20 and was tested to ensure payments received were subject to appropriate approval.

- WGH Theatres (0706)
- GGH Theatres (0025)
- WGH Blood Sciences (0728)
- BGH Blood Sciences (0408)
- PPH Blood Sciences (0220)

Staff that have a specific roster commitment to be on-call outside the normal working hours for their service are eligible to receive an On-Call Availability

Allowance, in accordance with the *All-Wales National On-Call Agreement and Agenda for Change Terms and Conditions of Service*.

Two departments within the sample (Theatres WGH & GGH) use RosterPro to record on-call enhancements. A sample of 10 employees for the August 2019 pay period confirmed that the on-call hours listed on the Payroll Breakdown Report reconciled to the electronic rosters.

The Blood Sciences Services at Withybush, Bronglais and Prince Phillip Hospitals employed the same rostering and claims process as at Glangwili Hospital (noted in Objective 2) with the same issues identified in regard of reconciling contracted hours and subsequent on-call payments.

Concluding a review of submitted claim forms from across the four acute sites, we noted there was not a standardised claim form in place that has resulted in key information missing from some forms.

See Finding 1 at Appendix A.

OBJECTIVE 4: Use of Time in Lieu is subject to appropriate control and in line with guidance.

A sample of 10 wards and departments from across the Health Board were tested to establish the processes and management of time off in lieu (TOIL).

- Ward 3 PPH
- Ward 6 PPH
- Ward 3 WGH
- Ward 7 WGH
- Picton Ward GGH
- SCBU GGH
- PICU
- CRHT Carmarthen
- Meurig Ward BGH
- Ceredig Ward BGH

Whilst we can confirm that the 10 wards and departments captured TOIL on the e-rostering system, only four used the e-roster system as a management function of hours owing/owed. The six wards that did not use the TOIL management function of the e-roster system controlled hours through the allocation of shifts in the following roster period.

A report of hours owing/owed as at 5th November 2019 was obtained from the Workforce Department and a selection of 50 employees from the sampled wards and departments were tested to ensure any hours owed/owing were managed correctly. Concluding testing, we noted that 11 employees had total hours owing/owed of more than seven hours within the following wards and departments – Ward 3 PPH, PICU, CHRT (Carmarthen), Meurig and Ceredig Wards BGH.

The *Use of Overtime Policy and Agenda for Change Terms and Conditions of Service* also states that where employees (Bands 1-7 only) are unable to take TOIL within three months, due to the impact on service delivery, a payment at overtime rate should be made.

We noted that all applications for TOIL payments are scrutinised and approved by the Workforce Control Panel and paid at rates as per A4C Terms and Conditions. Internal Audit reviewed the payments made by the Health Board in lieu of TOIL for the period 1st April – 5th November 2019. A payment was made to a Band 8a employee in lieu of TOIL at a Band 7 rate. The Workforce Control Panel sought advice from the Senior Terms, Conditions & Benefits Manager prior to approval of the payment. However, this process was not reflected in the Time Off in Lieu Procedure.

See Findings 2 & 3 at Appendix A

7. Summary of Recommendations

The audit findings and recommendations are detailed in Appendix A together with the management action plan and implementation timetable.

A summary of these recommendations by priority is outlined below.

Priority	H	M	L	Total
Number of recommendations	1	2	0	3

Finding 1 - Blood Sciences Services Arrangements (O)	Risk
<p>Testing was undertaken to reconcile the pay enhancements and overtime of GGH Blood Sciences employees submitted for the period 3rd June – 4th August 2019 to supporting rota documentation. Concluding testing, the following was identified:</p> <ul style="list-style-type: none"> • We were unable to reconcile individuals contracted hours to the rotas held within the department; • Of six employees sampled for testing, we were unable to reconcile some pay enhancements and overtime totals submitted to Payroll to the supporting rotas; • One instance was found where the certifying manager endorsed their own claim form by signing-off the summary recording spreadsheet, which contained their own pay enhancements and overtime; • We noted a number of instances where submitted claim forms had not been signed or dated by the employee; and • A review of submitted claim forms from across the four acute sites, we noted there was not a standardised claim form in place that has resulted in key information missing from some forms. 	<p>Variable pay is not subject to adequate management control.</p>
Recommendation 1	Priority level
<p>The Blood Sciences Service should introduce an electronic rostering system to ensure an accurate audit trail of contracted hours, pay enhancements, on-call and overtime payments are captured. In the interim, Management should ensure:</p>	<p>HIGH</p>

<ul style="list-style-type: none"> • A standardised claims form is agreed and implemented across all department sites to ensure a key information is recorded and captured; • Pay enhancements, on-call and overtime figures submitted on their claims forms accurately reconcile to work undertaken by Blood Sciences employees; • All submitted claim forms are signed and dated by employees prior to any commitment to expenditure; and • Summary recording spreadsheets are countersigned by another lead/manager where certifying leads are signing-off their own pay enhancements and overtime. 	
<p>Management Response</p>	<p>Responsible Officer/ Deadline</p>

<p>Finding 2 - Management of Hours Owed/Owing (O)</p>	<p>Risk</p>
<p>A report of hours owing/owed as at 5th November 2019 was obtained from the Workforce Department and a selection of 50 employees from the sampled wards and departments were tested to ensure any hours owed/owing were managed correctly. Concluding testing, we noted that 11 employees had total hours owing/owed of more than seven hours within the following wards and departments – Ward 3 PPH, PICU, CHRT (Carmarthen), Meurig and Ceredig Wards BGH.</p>	<p>Variable pay is not subject to adequate management control.</p>

Recommendation 2	Priority level
Ward Managers should ensure that the management of hours for employees complies with the Time Off in Lieu Procedure.	MEDIUM
Management Response	Responsible Officer/ Deadline


Finding 3 – Payment of Overtime to Senior Staff (O)	Risk
<p>Health Board policies and procedures, and the A4C Terms and Conditions states that senior staff paid in pay Bands 8 or 9 will not be entitled to TOIL payments (paid at overtime rates).</p> <p>A payment was made to a Band 8a employee in lieu of TOIL at a Band 7 rate. The Workforce Control Panel sought advice from the Senior Terms, Conditions & Benefits Manager prior to approval of the payment. However, this process was not reflected in the Time Off In Lieu Procedure.</p>	Variable pay is not subject to adequate management control.
Recommendation 3	Priority level
Management should review the process for future payments of TOIL in regard of senior staff to ensure this is accurately reflected in current policies and procedures.	MEDIUM

Management Response	Responsible Officer/ Deadline


DRAFT


Appendix B - Assurance Opinion and Action Plan Risk Rating

2019/20 Audit Assurance Ratings

 **Substantial Assurance** - The Board can take **substantial assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with **low impact on residual risk** exposure.

 **Reasonable Assurance** - The Board can take **reasonable assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with **low to moderate impact on residual risk** exposure until resolved.

 **Limited Assurance** - The Board can take **limited assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with **moderate impact on residual risk** exposure until resolved.

 **No Assurance** - The Board has **no assurance** arrangements in place to secure governance, risk management and internal control, within those areas under review, which are suitably designed and applied effectively. Action is required to address the whole control framework in this area with **high impact on residual risk** exposure until resolved.

Prioritisation of Recommendations

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

Priority Level	Explanation	Management action
High	Poor key control design OR widespread non-compliance with key controls. PLUS Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
Medium	Minor weakness in control design OR limited non-compliance with established controls. PLUS Some risk to achievement of a system objective.	Within One Month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. These are generally issues of good practice for management consideration.	Within Three Months*

* Unless a more appropriate timescale is identified/agreed at the assignment.



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