



TRANSPORT FOR THE NORTH

Flexible Working Hours Scheme

Internal audit report 5.21/22

Final

11 November 2021

This report is solely for the use of the persons to whom it is addressed. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, 100 per cent of our audit has been conducted remotely. Remote working has meant that we have been able to complete our audit and provide you with the assurances you require. Based on the information provided by you, we have been able to sample test, and in some areas undertake full population testing, to complete the work in line with the agreed scope.

Why we completed this audit

The Transport for the North's ("TfN's") Flexible Working Hours Policy states that *"the Flexible Working Hours Scheme allows employees flexibility and discretion over their working hours. Under the scheme, employees have the ability to accrue a defined amount of credit or debit of working hours, and to take time-off in the form of Flexi-Leave. Flexible working can make for a more productive workplace, focused on outputs and performance, and provides Line Managers with the mechanism to effectively manage peaks and troughs in work demands."*

TfN's new electronic flexible working hours system, known as 'Flexi Time Planner', has been in operation since 6 April 2021, replacing the previous electronic system in place. Hours worked during each 'Accounting Period' (a four week period) can be converted to 'banked flexi-leave' and can subsequently be taken as 'flexi-leave' in half-day periods. Whilst use of the system isn't compulsory, those members of staff that are eligible and wish to benefit from the scheme are required to comply with the conditions set out in the TfN Working Hours Policy. This includes the following:

- The flexible working day operates from 7am to 7pm. Employees are not permitted to accrue more than 11 hours in one day and must have a minimum break of 11 consecutive hours between the end of one working day and the commencement of the next;
- A maximum of two days 'flexi-leave' can be taken per accounting period and/or 18 'flexi-leave' days per annum; and
- A credit or debit balance at the end of any accounting period may be carried forward to the next period up to a maximum of 15 hours up and a maximum of 10 hours down (unless Line Manager approval has been obtained to exceed limits).

TfN's Human Resources Team are responsible for oversight of the Flexible Working Hours Scheme and produce monthly reports to monitor the number of banked and taken 'flexi-leave'. At the time of our review (October 2021) we were informed that 108 of the 118 eligible members of staff employed by TfN were recording their times within the Flexi Time Planner system. Those not using the system do not have the opportunity accumulate additional hours worked and take additional leave as 'flexi-leave'.

Our review was designed to assess whether the Flexible Working Hours Scheme has applied in an appropriate and consistent manner, in line with TfN policies, to support employees in undertaking their roles.

Conclusion

Through our work, we confirmed that TfN has established systems and processes in place in regard to the Flexible Working Hours Scheme. This includes the provision of policies and guidance to staff and central oversight and monitoring from the HR Team.

Through our sample testing and data analytics carried out in regard to the use of the Flexi Time Planner system between April and August 2021, we were able to confirm the consistent application of flexi-time requirements, in line with TfN policies and procedures. As such, no exceptions were identified in our testing and we have not raised any management actions. Further information in regard to the data analytics performed as part of our testing is provided in Appendix B.

Internal audit

Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage the identified area are suitably designed, consistently applied and operating effectively.



Key findings

We identified the following findings:



A Flexible Working Hours Policy is in place which provides staff with details of the TfN Flexible Working Hours Scheme. This is published on the TfN intranet along with 13 'Flexi Time Planner Guides', in the form of 'bite-size' videos, which are accessible to all staff for training and guidance purposes.



We performed data analytics testing to review the time entered into the Flexi Time Planner system for a sample of 10 employees across five accounting periods from April to August 2021 (consisting of 1,192 entries). We confirmed that the time accrued each day had not exceeded the limit of 11 hours for each member of staff. As the Flexi Time Planner system only permits time to be entered from 7am to 7pm this supports the requirement for staff to take an 11 hour break between working days. Although there is a possibility that staff continue to work after 7pm without this time being recorded, we were informed that it is the responsibility of Line Managers and employees to ensure that appropriate working patterns are worked.



We carried out data analytics testing to review the number of 'flexi-leave' days banked and 'flexi-leave' days taken by all staff across each accounting period from April to August 2021. We confirmed that the maximum limit of two days 'flexi-leave' taken per Accounting period and 18 days per annum had not been exceeded by any members of staff. Whilst the system enables more than two days of 'flexi-time' to be 'banked' by members of staff per Accounting Period, TfN guidance states that this is only permissible if Line Manager approval is obtained. There were six occasions where more than two days had been banked, we confirm that HR had contacted the member of staff to ensure that Line Manager approval was obtained in advance of banking additional 'flexi-days'. Where approval had not been obtained the additional banked days had been removed in the system. See Appendix B for further details of the data analytics testing.



We confirmed that the system automatically removes any credit balances exceeding 15 hours at the end of each Accounting Period so that accumulated credit balances rolling from one period to the next do not exceed 15 hours. The system also flags up debit balances exceeding 10 hours so that Line Managers can investigate reasons why this has occurred. There were not any instances of debit balances exceeding 10 hours across the period reviewed.



All requests to make use of a 'flexi-leave' day are processed directly in the Flexi Time Planner system and require Line Manager approval. For a sample of 10 'flexi-leave' days taken by 10 members of staff across five accounting periods from April to August 2021, we confirmed that all requests had been approved by Line Managers.



Electronic reports are generated in the Flexi Time Planner system at the end of each Accounting Period and used by the HR Team to monitor the number of 'flexi-days' banked and 'flexi-days' taken by each member of staff. A summary of the total 'flexi-days' used and banked from April to August 2021 is provided in Appendix B.

Good Practice

We identified the following area of good practice that TfN management may wish to consider:

From our data analytics testing carried out to review the time entered in the Flexi Time Planner system for a sample of 10 employees across five accounting periods from April to August 2021, we identified several instances where employees working hours could be considered excessive. This includes the following:

- One employee that was consistently working 9.5 hours each day across the five Accounting Periods;
- One employee that had worked for a total 11 hours (excluding breaks) in a day on six occasions across the five Accounting Periods; and
- One employee that had worked for a total 10+ hours (excluding breaks) in a day on seven occasions and one employee that had worked for a total 10+ hours on six occasions across the five Accounting Periods.



Whilst these working patterns are permitted by TfN's policies, consistently working longer hours may result in mental health and wellbeing issues for employees, especially if this has not been identified and discussed with Line Managers or HR. Therefore, as part of HR's monthly reporting from the Flexi Time Planner system, management may wish to consider, where possible, generating reports that identify the total time recorded by employees each day so that any excessive or usual working patterns can be identified and discussed with Line Manager and employees.

APPENDIX A: CATEGORISATION OF 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 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, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

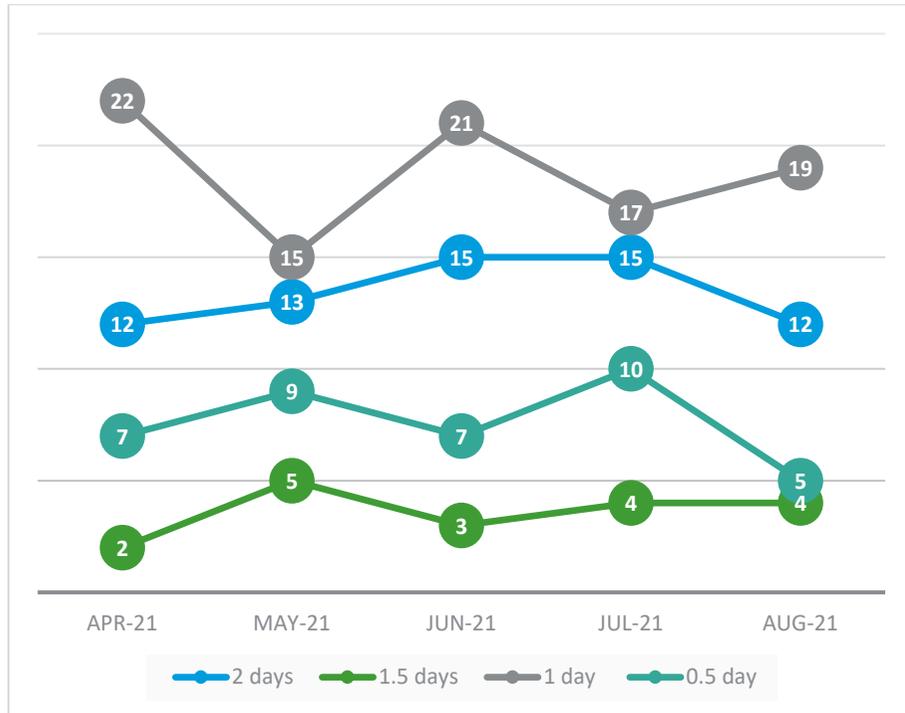
The following table highlights the number and categories of management actions made as a result of this audit. No management actions have been raised as a result of the work undertaken.

Area	Control design not effective	Non Compliance with controls	Agreed actions		
			Low	Medium	High
Flexible Working Hours Scheme	0	0	0	0	0
Total			0	0	0

APPENDIX B: DATA ANALYTICS

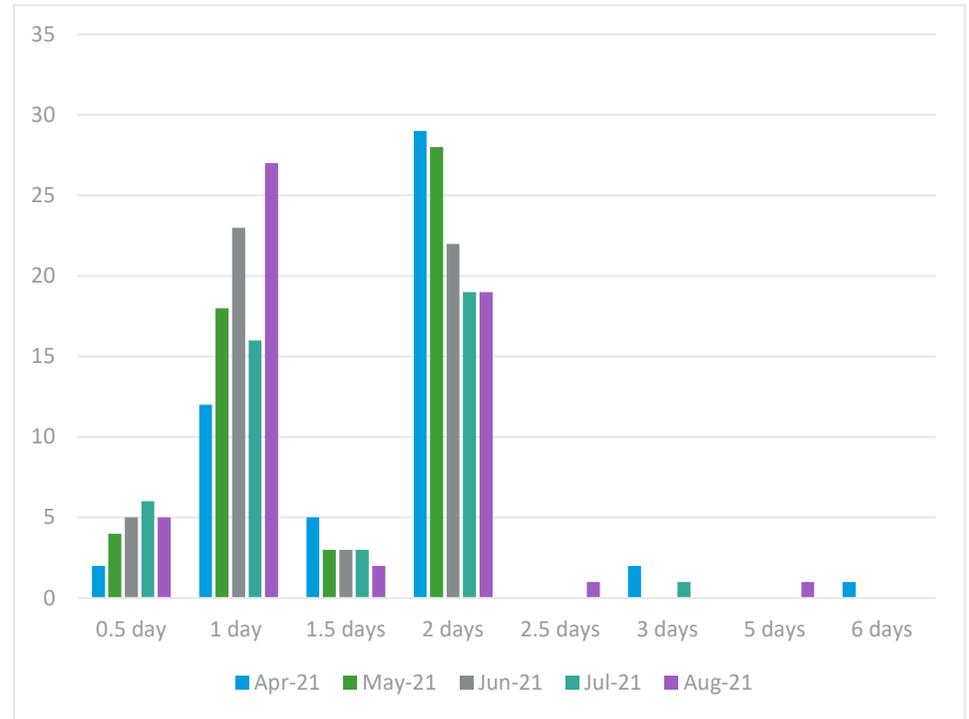
We have provided a summary of the data analytics testing undertaken as part of our review. Our testing considered all 'flexi-leave' days banked and 'flexi-leave' days taken by all staff across each accounting period from April to August 2021.

Flexi-days taken as leave per Accounting Period



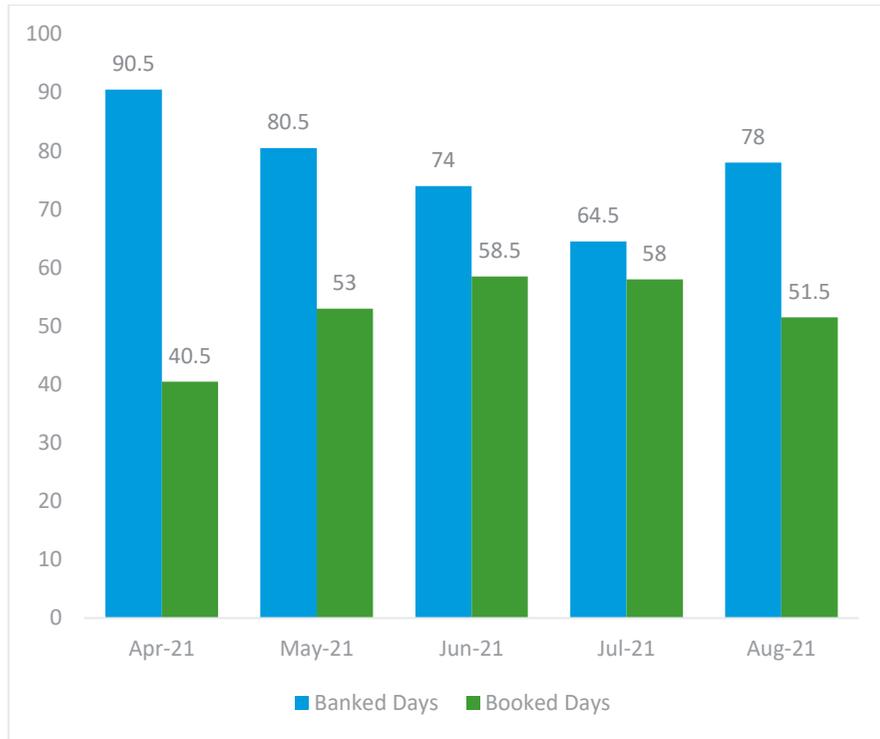
The above graph shows the total number of 'flexi-days' taken by each employee during each Accounting Period. For example in April 2021, a total of, 12 employees used two 'flexi-days', two employees used 1.5 days, 22 employees used 1 day and seven employees used 0.5 days. This testing confirms that employees did not exceed the limit of taking two days of 'flexi-leave' per Accounting Period.

Flexi-days banked per Accounting Period



The above graph shows the total number of 'flexi-days' banked by each employee during each Accounting Period. This confirms that between 0.5 and 2 days of 'flexi-leave' is being frequently banked during each Accounting Period, in line with TfN's set limit. It also highlights six instances where more than two days of 'flexi-leave' has been banked in an Accounting Period (between 2.5 and 6 days). In all instances where banked 'flexi-leave' exceeded the two day limit, we confirmed that Line Manager approval was provided to HR, in line with TfN policies.

Number of Days Banked and Booked



This shows the total number of 'flexi-days' banked versus the total number of 'flexi-days' taken during each Accounting Period. This information highlights that more days are banked than taken during each period to date suggesting that several members of staff have accumulated unused 'flexi-day' balances. Whilst the information does not highlight any breaches of TfN policy, it may be useful for managers to anticipate when these accumulated 'flexi-days' may be used, to support the planning of team and employees workloads.

APPENDIX C: BENCHMARKING

We have included some comparative data to benchmark the level of assurance and number of management actions agreed in this audit compared to similar audits conducted across our clients.

Level of assurance	Percentage of reviews	Results of the audit
Substantial assurance	50%	✓
Reasonable assurance	0%	
Partial assurance	50%	
No assurance	0%	

Management actions	Average number in similar audits	Number in this audit
High	0.7	0
Medium	1.7	0
Low	1.7	0
Total	4.1	0

Please note that the assurance opinions and management actions raised within all our audits reflect the scopes agreed with management at the time of the audits.

APPENDIX D: SCOPE

Scope of the review

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

Objective of the area under review

To ensure TfN's Flexible Working Hours policies and procedures are applied in an appropriate and consistent manner to support employees in undertaking their roles effectively at all times.

The following areas will be considered as part of the review:

- A Flexible Working Hours Policy is in place, which is up to date, and has been approved;
- Relevant policies are available on the Organisation's intranet page;
- Employees' flexible working is undertaken in line with the Flexible Working Hours Scheme, including the maximum of 11 hours accrued in one day, and do not commence work until a minimum break of 11 hours have been accrued;
- Only a maximum of two flexible leave days has been taken in any accounting period;
- Arrangements of carryover of credit/ debit hours are applied in line with Policy;
- All flexible claims have been approved by an appropriate Line Manager; and
- A report of all flexible time taken can be run and checked for appropriateness by the Line Manager.

Limitations to the scope of the audit assignment:

- We will undertake an assessment of the adequacy of aspects of the control framework and we will perform limited testing to confirm its operation in practice;
- The scope of our work will be limited only to those areas that have been examined and reported upon in the areas for consideration in the context of the objectives set out for this review, and is not to be considered as a comprehensive review of all aspects of employee time management;
- We will not consider the appropriateness of hours worked or flexi-time accrued;
- We will not verify the accuracy of time recorded in the flexi-time system by employers;
- We will not provide assurance that employees have actually taken breaks during the periods recorded on their timesheets as 'not working';
- We will not confirm that any debit balances accrued by employees upon leaving TfN have been deducted from the employee's final salary;
- Conclusions will be based on our assessment of the current framework of controls and an initial review of relevant documentation available;
- All testing will be from this financial year;
- Our audit will not seek to replicate advice provided to you by any third parties and external advisors;
- The results of our work are reliant on the quality and completeness of the information provided to us; and
- Our work does not provide assurance that error, loss or fraud do not exist.

Debrief held 1 November 2021
Draft report issued 10 November 2021
Responses received 11 November 2021

Internal audit Contacts Lisa Randall, Head of Internal Audit
lisa.randall@rsmuk.com / 07730 300 309

Alex Hire, Senior Manager
alex.hire@rsmuk.com / 07970 641 757

Andrew Mawdsley, Assistant Manager
andrew.mawdsley@rsmuk.com / 07734 683 992

Final report issued 11 November 2021

Client sponsor Stephen Hipwell, Human Resources Manager
Distribution Stephen Hipwell, Human Resources Manager
Iain Craven, Finance Director

rsmuk.com

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Transport for the North, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM UK Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.