

REPORT TO: Audit and Governance Committee

MEETING DATE: 17 May 2016

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report – Agency Workers

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Agency Workers.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 A review of Agency Workers was undertaken as part of the audit plan for 2015/16.
- 3.2 We note that the Council Management Team is monitoring the use of agency workers as part of the Efficient Workforce Management Plan – regular reports are prepared by Human Resources on expenditure relating to agency workers and we are informed that meetings have been held with individual service managers to help manage the issues relating to agency workers.
- 3.3 The main objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.4 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – None
6.2 Personnel – None
6.3 Other – None

7 BACKGROUND PAPERS

- 7.1 None

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EAST LOTHIAN COUNCIL – INTERNAL AUDIT AGENCY WORKERS

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2015/16 a review was undertaken of the controls surrounding the sourcing and management of agency workers. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Two separate framework agreements are in place to facilitate the use of agency workers – the Scottish Procurement and Commercial Directorate (SPCD) Framework (covering Interim Professional & Interim IT and Administrative, Catering & Manual workers) and Scotland Excel Framework (covering Social and Care workers).
- Supporting documentation was held in respect of payments made for agency workers – for the sample of cases reviewed, authorised timesheets were held by service areas.

1.3 Areas with Scope for Improvement

- No clear policy is in place to ensure that a consistent approach is adopted throughout the Council for the use of agency workers. *Risk – lack of consistency.*
- In a number of cases, there had been a failure by managers to complete an Agency Worker Authorisation Form (AWAF) to evidence that appropriate authorisation had been provided by the Head of Service. *Risk – inappropriate expenditure may be incurred.*
- In a number of cases, managers had failed to use the framework agreements in place, but had sourced workers directly from other agencies. *Risk – failure to comply with the procedures.*
- There was a failure by managers to obtain a breakdown of the worker's hourly charge rate from the agencies, to ensure that the pay rate corresponds to the hourly rate for a Council employee undertaking a similar role. *Risk – over or underpayments may occur.*
- There was a lack of effective mechanisms in place for monitoring the length of agency worker assignments – in some cases there had been a failure to identify agency workers who had been with the Council in excess of 12 weeks and were entitled to the same basic working and employment conditions as if they had been directly employed by the Council. *Risk – non-compliance with legislation.*

1.4 Summary

Our review of agency workers identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager

May 2016

**EAST LoTHIAN COUNCIL – INTERNAL AUDIT
AGENCY WORKERS**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that a clear Policy on the use of agency workers is in place to ensure that a consistent approach is adopted throughout the Council.	Medium	Performance & Business Support Manager / Procurement Officer	Agreed		July 2016
3.2.2	Management should ensure that guidance on recruiting agency workers is readily available to all relevant staff on the Council's intranet.	Medium	Performance & Business Support Manager / Procurement Officer	Agreed		July 2016
3.2.3	Management should ensure that an Agency Worker Authorisation Form (AWAF) is completed when the requirement for an agency worker is identified. The form should be authorised by the Head of Service and a copy of the authorised form passed to HR for monitoring purposes.	Medium	Service Managers	Agreed – Memo to be issued by Performance & Business Support Manager / Procurement Officer		July 2016

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.4	<p>Management should ensure that agency workers are appointed from the framework agreements currently in place.</p> <p>Where the approved agencies are unable to meet the requirements, managers should contact Procurement for advice.</p>	Medium	Service Managers	Agreed – Memo to be issued by Performance & Business Support Manager / Procurement Officer		July 2016
3.2.5	<p>Management should ensure that agency workers are appointed by using the appropriate method (mini-competition or ranked solution) specified in the framework agreement.</p> <p>Management should ensure that a clear audit trail exists of all attempts to fill the post with workers from the approved agencies and that reasons for approved agencies being unable to meet the requirements are fully evidenced.</p>	Medium	Service Managers	Agreed – Memo to be issued by Performance & Business Support Manager / Procurement Officer		July 2016
3.2.6	For agency workers not appointed through the Scotland Excel Framework, Management should ensure that appropriate checks are undertaken on qualifications, experience and PVG clearance.	Medium	Service Managers	Agreed – Memo to be issued by Performance & Business Support Manager / Procurement Officer		July 2016

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.1	Management should ensure that effective mechanisms are in place for monitoring the length of agency worker assignments to ensure compliance with legislation.	Medium	Service Managers	Agreed – Memo to be issued by Performance & Business Support Manager / Procurement Officer		July 2016
3.4.1	<p>Management should ensure that for all appointments a breakdown of the worker's contract charge rate is requested from the agency including pay rate, commission rate, national insurance, working time (holiday) payment and pension contribution.</p> <p>Management should ensure that the pay rate corresponds to the hourly rate for a Council employee undertaking a similar role.</p>	Medium	Service Managers	Agreed – Memo to be issued by Performance & Business Support Manager / Procurement Officer		July 2016
3.4.2	Management should ensure that rates paid to agency workers are monitored and that increases are applied where appropriate.	Medium	Service Managers	Agreed – Memo to be issued by Performance & Business Support Manager / Procurement Officer		July 2016

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.1	Management should ensure compliance with the procedures in place – all payments to agency workers should be processed through the Council's Pecos system.	Medium	Service Managers	Agreed – Memo to be issued by Performance & Business Support Manager / Procurement Officer		July 2016
3.6.1	Management should ensure that agency workers' costs are correctly coded in the Council's general ledger.	Medium	Service Managers	Agreed – Memo to be issued by Performance & Business Support Manager / Procurement Officer		July 2016
3.7.2	For agency workers appointed through the Scotland Excel Framework, Management should ensure that appropriate discounts are applied to the supplier's commission for assignments which exceed the 12 week period.	Medium	Service Managers	Agreed – Memo to be issued by Performance & Business Support Manager / Procurement Officer		July 2016

Grading of Recommendations

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

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.