

ARGYLL & BUTE COUNCIL

Internal Audit Section

INTERNAL AUDIT REPORT

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| CUSTOMER DEPARTMENT | DEVELOPMENT AND INFRASTRUCTURE SERVICES |
| AUDIT DESCRIPTION | RISK BASED AUDIT |
| AUDIT TITLE | REVIEW OF EMPLOYABILITY AND TRAINING |
| AUDIT DATE | MARCH 2015 |

2014/2015



1. BACKGROUND

A review of Employability and Training within the Economic Development and Strategic Transport Service has been planned as part of the 2014/15 Internal Audit programme, the review focussed on the Working Links contract for the UK Government's Work Programme.

The Scottish Government considers that developing the skills and employability of Scotland's workforce is essential for achieving economic growth. There are a wide range of strategies and policies linked to reducing unemployment and improving skills at a Scottish, UK and European level. At a Scottish level, these include the Scottish Government's Economic Strategy, the refreshed Skills for Scotland Strategy, the Working for Growth employability framework, Scotland's Youth Employment Strategy and the Opportunities for All initiative showing the importance attached to developing a well-educated and trained workforce.

The Employability Team in Argyll and Bute supports the long term unemployed, and helps people to access skills, training, opportunities and jobs. Over the past 15 years, they have assisted over 1,500 people access long term employment. There are 23 employees within the Employability Team.

The Employability Team works in partnership across Argyll and Bute, the Highlands and Islands, and West Dunbartonshire, to deliver Welfare to Work sub-contracts with Working Links and Learn Direct.

The Employability Team's most substantive contract is the delivery of the Work Programme. As a sub-contractor for the prime contractor Working Links, the Council delivers the Work Programme across Argyll and Bute, West Dunbartonshire, the Highlands (including Inverness city) and the Western Isles in partnership with the Tell Organisation (West Dunbartonshire), Lochaber Hope (Lochaber, Skye and Lochalsh) 20/20 Clearview (Caithness and Sutherland) and Third Sector Hebrides (Western Isles). As well as Campbeltown, Dunoon, Rothesay, Oban and Helensburgh, Argyll and Bute Council employees are based in Inverness and cover the Inner Moray Firth area.

The Work Programme journey lasts for up to two years, during this time the Employability Team works with customers to understand their needs and circumstances, and develop an employer portfolio and action plan all with the ultimate aim of finding a job that suits the customer. Once in employment, customers are supported by way of "in work" support.

The Argyll and Bute Employability Team and associated partners are entering the fifth year of delivery of a five year contract to deliver the Work Programme, if a client is taken on in the fifth year of the programme their referral will run for two years, therefore the contract runs up to seven years.

2. AUDIT SCOPE AND OBJECTIVES

The audit scope was limited to:

- Review the controls and arrangements in place regarding the initiatives to improve the employability of individuals who have been long term unemployed, including partnership arrangements.
- Review the arrangements in place to evaluate and report the success of initiatives.

3. RISKS CONSIDERED

ORR Failure to realise the economic and business potential of Argyll and Bute and not achieve the economic, social and physical regeneration of our communities.

ORR Failure to achieve the required job outcomes through UK Work Programme delivery.

Audit Risk: Failure to monitor and review initiatives for employment.

4. AUDIT OPINION

The level of assurance given for this report is substantial.

| Level of Assurance | Reason for the level of Assurance given |
|---------------------|---|
| High | Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with. |
| Substantial | Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale. |
| Limited | Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues. |
| Very Limited | Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues. |

This framework for internal audit ratings has been developed and agreed with Council management for prioritising Internal Audit findings according to their relative significance depending on their impact to the process. The individual Internal Audit findings contained in this report have been discussed and rated with management.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as High, Medium or Low. The definitions of each classification are set out below:-

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| <p>High - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;</p> |
| <p>Medium - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;</p> |
| <p>Low - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.</p> |

5. FINDINGS

The following findings were generated by the audit:

Controls in place

Referrals

- It was evidenced that Working Links receives referrals from the Department of Work and Pensions (DWP) who in turn refer clients to the Employability Team. Clients referred to the Employability Team are managed throughout their two years by the team and depending on the client's location they are either fully overseen by the Employability Team or a further referral is made to one of our partner organisations.
- Internal Audit reviewed the Working Links Contract which detailed the payment guidelines, the Employability Team receives 100% of the income for all Argyll and Bute referrals and a 10% - 15% management fee from referrals passed to our partner organisations.

Service Level Agreements (SLAs)

- It was evidenced that SLAs are in place with partner organisations (see Appendix 1 for locations) and a review of these showed that they are complete, consistent and properly authorised.

Governance and Controls

- A review of the Employability Team's most recent action plan showed a clear and transparent approach to governance and the control environment, with clear objectives for improvements and actions in order to achieve them.
- The Working Links Customer Relations Manager (CRM) system is governed by strict access controls with all users required to complete a full PVG check prior to being provided with access rights.
- Internal Audit place reliance on the testing and audit work completed by the Scottish Government and Working Links Internal Audit Department in respect of the client records.

Risk Management

- It was evidenced that there is reference to the Employability Team within the Operational Risk Register (ORR).
- Leading from the ORR, the Employability Team's most recent action plan contains a risk assessment specific to the team. This risk assessment includes identification of current risks, clear actions to be taken in order to mitigate those risks and their associated scoring that is in line with the Council's risk management framework.

Finances

- It was evidenced that a defined structure of payments for different categories of client is in place. These levels of payment are dependent on referral dates and the length of any employment achieved. Payments are made by Working Links in relation to referrals and outcome payments on a self-billing basis. Reconciliations of all payments expected and received for both the Employability Team and their partner organisations are in place and completed on a timely basis.
- Sustainable job outcomes are validated by the DWP prior to any payments being authorised.
- It was evidenced that a detailed record is maintained of all clients referred to the Employability Team and the expected payments relating to that client.

Evaluation and reporting

Financial Planning

- A review of the detailed financial model for the Working Programme Contract to monitor financial viability showed this to be complete, accurate and updated in line with service procedures and processes.
- It was evidenced that a sound process is in place for monitoring and reviewing the budget process.

Performance Management

- It was evidenced that "Minimum Service Levels" are agreed as part of the contract with Working Links, the arrangements for recording and monitoring of these was witnessed.

- It was evidenced that a sound process is in place for extracting data from the working links CRM system for input to the Council's Pyramid system.
- Reliance can be placed on spot checks and compliance checks carried out by Working Links and DWP.

Reporting

- It was evidenced that Economic Development is supporting Community Services in delivering the "Developing Scotland's Young Workforce" objectives.
- It was evidenced that quarterly performance reports are produced for the Economic Development service, a section on Employability is included.
- Formal reports and updates issued to DMT and SMT were reviewed and found to be timely and complete.

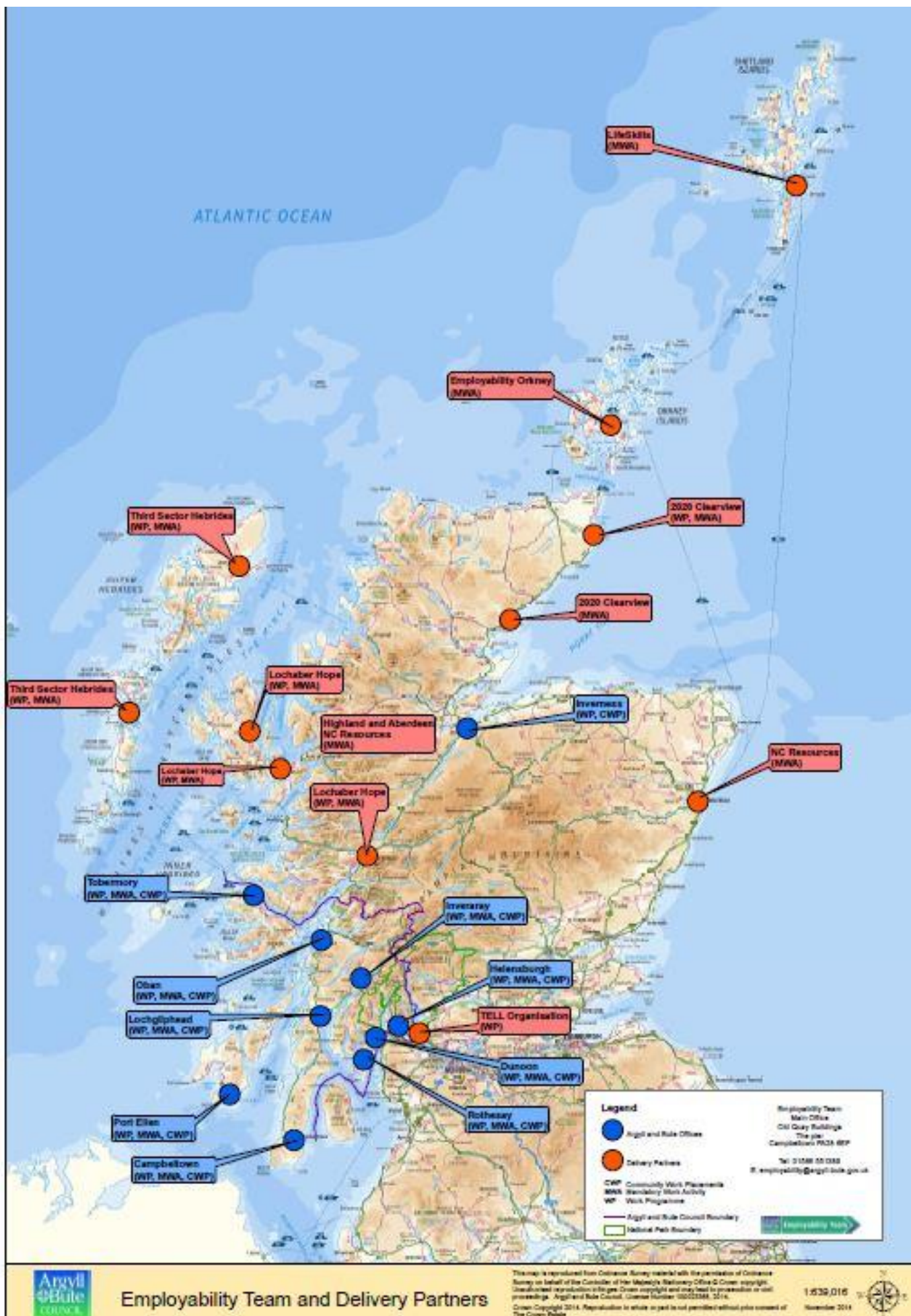
Document Management

- It was noted that records are kept in both hard file and electronic format dependent on contract criteria; this is not under the control of the Employability Team. This has resulted in a large volume of archive material being stored in a designated area that is due to be vacated in the near future with no alternative storage arrangements available at present.

6. CONCLUSION

This audit has provided a Substantial level of assurance. There is one low recommendation for improvement identified as part of the audit, which will not be reported to the Audit Committee. Management have agreed to take action as a result of the recommendation, the persons responsible for the action and the target date for completion of the action. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

Thanks are due to the Employability Team staff and management for their co-operation and assistance during the Audit and the preparation of the report and action plan.



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