



**Internal Audit Report**

Final

Community Services

**Review of Short Term Contracts**

February 2011

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## **1 INTRODUCTION**

This report has been prepared as a result of the Internal Audit review of Short Term Contracts within Community Services as part of the 2010/2011 Internal Audit programme.

Community Services (Education and Social Work) have occasion to employ staff on a short term basis which enables them to continue to deliver their service.

The audit will focus on 2 distinct areas

- Use of Agency Workers (including Self Employed Contractors) within Social Work
- Use of Temporary Staff within Education

## **2 AUDIT SCOPE AND OBJECTIVES**

The broad objectives of the review were to:

- Review current arrangements in respect of defining and arranging short term contracts;
- Evaluate the effectiveness of existing systems and procedures;
- Determine whether new systems or procedures are required; and
- Review the process for monitoring outcomes

### **3 RISK ASSESSMENT**

As part of the audit process and in conjunction with our Systems Based Auditing, ICQ approach, the risk register was reviewed to identify any areas that needed to be included within the audit. The areas identified are;

SR 16 – Failure to have a robust internal control process and system.

### **4 CORPORATE GOVERNANCE**

There are no Corporate Governance issues to be reported as a result of this audit.

### **5 MAIN FINDINGS**

#### **Social Work – Agency Workers (Employment Agency Staff and Self Employed Contractors)**

- Agency workers are engaged in circumstances where the Service has been unable, following numerous attempts, to recruit to a particular post. An agency worker can either be Employment Agency Staff or a Self Employed Contractor.
- Employment Agency Staff have a contract with an employment agency and they provide their services to the Council through that agency. The agency invoices the Council for the services provided and will charge commission in addition to this. There may also be a fee payable to the agency should the person subsequently become an employee of the Council.
- Self Employed Contractors provide their services directly to the Council and invoice the Council directly. There are no additional commission charges and no fees payable if the person subsequently becomes an employee of the Council.
- An HR guidance note in relation to agency workers has been issued by Human Resources. The guidance given in the note is not routinely being followed.
- Agency workers agreements are generally negotiated locally with no involvement of the Commissioning Team within Customer Services, prior to contracts being entered. The original contract documents are generally held locally and are not routinely forwarded to the Commissioning Team.
- The contracts in place do not routinely outline the travel and subsistence costs that can be reclaimed from the Council by the agency worker.

- No standard system is used by the agency workers to reclaim travelling and subsistence expenditure.
- No central register of all agency workers engaged by the Council is held and maintained.

Invoices in relation to agency workers are not always accompanied by supporting documentation.

### **Education – Temporary Staff**

There is a standard process in place for the recruitment and appointment of both teaching and non teaching temporary staff within Education. As employees of the Council they are issued with a standard Council temporary contract of employment. Payment to temporary staff is through payroll and controls are in place to prevent temporary staff being paid beyond the end of their contract.

## **6 RECOMMENDATIONS**

Two recommendations were identified as a result of the audit, 1 as High priority and 1 as Medium priority. The recommendations are shown in the action plan attached at Appendix 2 and have been compiled with the co-operation and agreement of the appropriate Heads of Service and 3<sup>rd</sup> tier managers.

Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management have set achievable implementation dates and will be required to provide reasons to the Audit Committee for failure to implement within the agreed timescale. Where management decides not to implement recommendations it must evaluate and accept the risks associated with that decision.

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 fundamental, material or minor. The definitions of each classification are set out below:-

**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;

**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;

**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.

## 7 AUDIT OPINION

The current system in place for engaging agency workers within Social Work is unsatisfactory and leaves both the Council and the agency worker in a vulnerable position. The Commissioning Team within Customer Services should check all contracts to ensure that they meet the Council's requirements.

The arrangements between the Council and some of the agency workers in relation to travel and subsistence expenses should be standardised throughout the Council in order to prevent any uncertainty regarding the Council's responsibilities and the agency workers' entitlements.

Recommendations arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale. Recommendations not implemented will require explanation to the Audit Committee. This could lead to findings being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

## **8 ACKNOWLEDGEMENTS**

Thanks are due to the following people for their co-operation and assistance during the Audit and the preparation of the report and action plan:

Commissioning Team Officers  
Customer and Support Services Officers  
HR Officers  
Social Work Officers  
Strategic Finance Officers

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

This report is private and confidential for the Council's information only and is solely for use in the provision of an internal audit service to the Council. In any circumstances where anyone other than the Council accesses this report it is on the strict understanding that the Council will accept no liability for any act or omission by any party in consequence of their consideration of this report or any part thereof. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.





**APPENDIX 2      ACTION PLAN**

<b>No.</b>	<b>FINDINGS</b>	<b>PRIORITY</b>	<b>RECOMMENDATION</b>	<b>RESPONSIBLE OFFICER</b>	<b>IMPLEMENTATION DATE</b>
1	There are no standard procedures in place for the engagement, management and payment of agency workers and self employed contractors. There is a guidance note issued by HR in relation to Agency Workers, however, this does not cover all the issues identified in the report and the guidance given is not routinely followed.	High	A standard procedure for the engagement, management and payment of agency workers and self employed contractors must be introduced. Appendix 3 provides an Action List which identifies the issues which must be addressed.	Head of Improvement & HR leading in developing process linking with Head of Adult Care/Children and Families and Procurement/Commissioning Team	May 2011

**APPENDIX 3 ISSUES TO BE ADDRESSED WHEN PREPARING STANDARD PROCEDURES**

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	The Service does not maintain a central register of agency workers and self employed contractors currently engaged by them.	High	A central register of all agency workers and self employed contractors engaged by the Service should be maintained. Agreement should be reached as to where the responsibility for this should lie. One option may be for it to be held by the Commissioning Team as part of the Council's contract register however input to this would be required by the Service when contracts are extended or terminated.	Procurement & Commissioning Team hold info on central register  Head of Adult Care & Children and Families to provide details of self employed/agency workers to Commissioning Team	June 2011
2	The HR Guidance states that the Commissioning Team must vet all agreements for agency and self employed contractors prior to entering a contract. This does not happen in practice and contracts are	High	All contracts with agency workers and self employed contractors should be vetted by the Commissioning Team prior to contracts being entered to ensure that they meet the Council's requirements.	Procurement and Commissioning Team	May 2011

	generally agreed locally.				
<b>3</b>	Each agency worker and self employed contractor should be covered by professional indemnity insurance either through an employment agency or on an individual policy. This is not routinely checked when contracts are agreed.	High	As part of the vetting process the Commissioning Team should ensure that the agency worker/ self employed contractor is covered by professional indemnity insurance. A copy of the professional indemnity insurance certificate must be obtained and retained with each contract.	Procurement and Commissioning Team	May 2011
<b>4</b>	The original signed contract should be forwarded to the Commissioning Team however this is not being done for every contract.	High	The original signed contract should be forwarded to and retained by the Commissioning Team.	Procurement and Commissioning Team	May 2011

5	<p>Employment agencies ensure that agency workers provided by them have current disclosure but it is the responsibility of the Council to ensure that any self employed contractors have current disclosure. There is no system in place to ensure that all workers have current disclosure. SSSC registration requires the worker to have disclosure; however this disclosure could be up to 3 years old</p>	High	<p>As a matter of urgency checks must be carried out to ensure that all agency workers and self employed contractors have current disclosure, either through their Employment Agency or by the Council. A system must be put in place to ensure that each new worker is disclosure checked prior to commencing their contract.</p>	<p>Head of Adult Care and Head of Children and Families as appropriate</p>	<p>May 2011</p>
6	<p>Agency workers and self employed contractors can claim reimbursement of travelling and subsistence expenses. Details of the travel and subsistence expenses which may be reclaimed from the Council by workers is not routinely detailed in the workers' contracts</p>	High	<p>The travelling and subsistence that can be reclaimed from the Council by an agency worker/self employed contractor must be agreed as part of the contract negotiations. The arrangements should be set out in the contract, paying particular attention to where the worker's place of work is, what expenses can be reclaimed and the rates that are payable. The rates payable should not exceed</p>	<p>Procurement &amp; Commissioning Team</p>	<p>June 2011</p>

			the HMRC rates		
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7	<p>There is no standard procedure in place for the recording and reimbursement of travelling and subsistence expenditure. As a result the level of detail in relation to travel and subsistence claims varies from worker to worker. In some cases the Councils standard travelling and subsistence claim form is use and in others all that is provided is a line on an invoice e.g. 120 miles @ 40p per mile.</p>	High	<p>A documented procedure for the recording and reimbursement of travel and subsistence for agency workers must be put in place. The level of detail provided by agency workers and self employed contractors must be standardised and should be in line with the information required by Council employees on the standard travelling and subsistence claim form. Officers authorising the payment of travelling and subsistence must be satisfied that the expenses detailed have been rightly incurred and correspond to what has been agreed in the contract.</p>	<p>Procurement and Commissioning Team</p> <p>Linking with Head of Adult Care &amp; Children and Families to ensure procedure followed by all staff</p>	May 2011
8	<p>There coding of travel and subsistence expenses varies depending on how the claim for reimbursement is submitted.</p>	Medium	<p>The coding of travelling and subsistence expenditure in respect of agency workers and self employed contractors should be standardised. It should either all be coded to agency costs or to travelling</p>	<p>Head of Strategic Finance</p> <p>Linking with Head of Adult Care &amp; Children and Families to implement process</p>	June 2011

			and subsistence.		
<b>9</b>	The induction process in relation to areas such as expenses claim is not always given priority	High	The induction of agency workers and self employed contractors should be given priority to ensure that they are aware of the Council's policies and procedures.	Head of Improvement and Strategic HR	May 2011
<b>10</b>	The review of the contracts between the Council and two self employed contractors identified issues which leave both parties vulnerable in the event of any dispute.	High	<p>Contracts with agency workers and self employed contractors should include the following</p> <ul style="list-style-type: none"> <li>• The period the contract is for and the notice required by each party to terminate the contract.</li> <li>• That the worker is responsible for payment of Income Tax and National Insurance;</li> <li>• That no sick pay, holiday</li> </ul>	Procurement and Commissioning Team	May 2011

			<p>pay etc are payable</p> <ul style="list-style-type: none"> <li>• What travelling and expenses can be claimed, paying particular attention to arrangements which differ from the Council's standard conditions.</li> </ul>		
<b>11</b>	<p>Invoices submitted by the agency worker are authorised for payment by the Head of Adult Services. The Head of Adult Service advised that the hours claimed are in line with what the contract and therefore authorises payment. He accepts that as he is not the worker's direct line manager he may not be the most appropriate person to authorise the payment as he would not necessarily be aware of any variances to the contracted hours.</p>		<p>Where officers are authorising the payment of agency workers and self employed contractors they must satisfy themselves that the worker has worked the hours claimed. As agreed by the Community Services DMT, self employed contractors should, where possible, use the Council's Time Recording System (TRS) to record the hours that they actually are at work. Invoices should be checked against the TRS and certified as being correct before payment is made.</p>	<p>Head of Adult Care &amp; Head of Children and Families</p>	<p>June 2011</p>