



**Internal Audit Report**

Final

Community Services

**Review of Short Term Contracts**

April 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 directly invoice Community Services – Social Work for supplied services. 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. 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 agency workers to reclaim travelling and subsistence expenditure;
- No central register of all agency workers engaged is held and maintained by the Council; and
- 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.

### **Summary**

Following the issue of the initial draft report and discussions with relevant officers it was agreed that the issues raised in this report are relevant across the Council and as such the recommendations made in the report are not restricted solely to the Community Services Department.

## **6 RECOMMENDATIONS**

One recommendation was identified as a result of the audit. This recommendation is High priority. The recommendation is 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**

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
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	The HR guidance note should be replaced by a standard procedure for the engagement, management and payment of agency workers and self employed contractors. Appendix 3 provides an Action List which identifies the issues which must be addressed.	Head of Improvement & HR linking with all Executive Directors and Procurement/Commissioning Team	30 May 2011