

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	27 September 2022
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2215 – Staff Resourcing
REPORT NUMBER	IA/AC2215
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

1.1 The purpose of this report is to present the planned Internal Audit report on Staff Resourcing.

2. RECOMMENDATION

2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. BACKGROUND / MAIN ISSUES

3.1 Internal Audit has completed the attached report which relates to an audit of Staff Resourcing.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

7. OUTCOMES

- 7.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.
- 7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required

9. APPENDICES

- 9.1 Internal Audit Report AC2215 – Staff Resourcing

10. REPORT AUTHOR DETAILS

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Internal Audit Report

People & Organisational Development

Staff Resourcing

Issued to:

Steven Whyte, Director – Resources

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Isla Newcombe, Chief Officer – People & Organisational Development

Jacqui McKenzie, Chief Officer – Customer Experience

Vikki Cuthbert, Interim Chief Officer – Governance

Jonathan Belford, Chief Officer – Finance

Craig Innes, Chief Officer - Commercial & Procurement

Lesley Strachan, Talent Manager

External Audit

EXECUTIVE SUMMARY

Background

The Staff Governance Committee approved the Council's Workforce Plan in June 2019, which sought to build on the 'Building a Council of the Future' report approved by Council in 2017. The 2017 report set out the proposal to review the Council's operating structure through a new system of management and delivery known as the Target Operating Model (TOM). It identified the future organisational, transformational and governance needs including the need for a more agile, flexible, and capable workforce that would meet changing demands and needs.

The Chief Officer – People & Organisational Development is responsible for delivering the Workforce Plan, which was established on Guiding Principles approved by Staff Governance Committee in March 2019. The Principles focus on the organisational culture, and the workforce plan seeks to build the workforce capacity and capability needed to support the Target Operating Model. The delivery of the workforce plan was reported to committee earlier this year, in lieu of a new Workforce Strategy being presented to Staff Governance Committee later in 2022.

Objective

The objective of this review was to examine adherence to procedures for three staff resourcing solutions, namely: internal recruitment and movement of staff, use of relief pool workers, and agency worker engagement. These are the main alternative resourcing solutions, outwith external recruitment and additional hours for existing staff – which are covered under specific recruitment and timesheet audits.

Assurance

In general procedures are effective and are being adhered to. An end to end recruitment process review is being undertaken by the Service to further automate the process, which it is anticipated will address areas where improvements to controls and efficiency have been recommended as part of the audit.

Findings and Recommendations

The current process for internal recruitment (re.cr.uit) is adequately controlled, however evidence of the application of controls and process is mixed. For example authorisations are registered on a spreadsheet, and in Microsoft Teams Chat sessions. These reduce the quality of the audit trail, and overall assurance that each stage of the process has been completed by the correct officers. A recommendation graded Significant within audited area has been made to ensure appropriate means of recording transaction and change authorisations is used. Further recommendations graded at the lower Important within audited area level have been made to strengthen assurance over application and compliance with procedural requirements including confirmation that criteria have been met prior to advertising vacancies, and that applications are processed in order of priority. Whilst the Service has been able to report success in respect of the scheme, enhanced and more accessible performance data could aid in demonstrating the application as well as outcomes of the scheme.

Management of pools of relief staff varies across the Council, as practice within individual Clusters has evolved. Under the Future of Work Programme it is intended to develop a corporate process and guidance, and a central coordination role. A recommendation graded Significant within audited area has been made to ensure implementation plans are set and the benefits realised.

Agency workers can cost more than staff due to the additional costs incurred paying agencies for their services on top of wage costs. Approximately £3.7 million was recorded as agency spend in 2021/22. An Agency Steering Group and associated

Working Group are in place to transform the processes in place for Agency Worker use and monitoring, and reductions in spend have been realised since 2019.

A series of procurement framework agreements have been adopted by the Council, to ensure a compliant process is in place for contracting the supply of agency workers. Although the majority of spend (£3 million) is through compliant contracts, off-contract spend remains a problem and presents a risk to best value and compliance with local and national procurement regulations. Implementing compliant options can be a lengthy process. £0.5 million of spend relating to teaching staff cover is currently being tendered for but has not been covered by a compliant contract since 2018. The Commercial and Procurement Shared Service anticipates that there will be suitable procurement frameworks available to officers for all required service areas by September 2022, to provide a route to market for all agency arrangements in line with established procedure and governance.

Purchase orders are generally raised in advance; however instances were identified where this did not happen – resulting in breaches of the Council’s Financial Regulations and no purchase order – no payment policy. Due to variations in when and how often agency workers are required by Clusters there are differences in how and by which team orders are raised and agency requirements administered. Exceptions and variations are not currently covered by written procedures.

A recommendation graded Significant within audited area has been made to ensure adequate monitoring mechanisms are in place to ensure compliance with Procurement and Financial Regulations, provide good oversight of agency worker use at a corporate level, and so that corrective action can be taken where this is required.

Management Response

The re.cr.uit process is being further developed following a cycle of learning, and as part of the end-to-end recruitment process review being undertaken and reported regularly to CMT. Whilst the audit findings and assurance provided over the existing process are welcome, the majority of actions are already in progress as part of moves to better utilise the Talentlink system. The additional learning points highlighted by Internal Audit will be included within the programme.

Plans are being developed to improve coordination and administration of relief and agency worker requirements, and through the Agency Steering Group further expansion and promotion of compliant procurement options will be delivered.

11. INTRODUCTION

- 11.1 The Staff Governance Committee approved the Council's Workforce Plan in June 2019, which sought to build on the 'Building a Council of the Future' report approved by Council in 2017. The 2017 report set out the proposal to review the Council's operating structure through a new system of management and delivery known as the Target Operating Model (TOM). It identified the future organisational, transformational and governance needs including the need for a more agile, flexible, and capable workforce that would meet changing demands and needs.
- 11.2 The Chief Officer – People & Organisational Development is responsible for delivering the Workforce Plan, which was established on Guiding Principles approved by Staff Governance Committee in March 2019. The Principles focus on the organisational culture, and the workforce plan builds workforce capacity and capability needed to support the Target Operating Model. The delivery of the workforce plan was reported to committee earlier this year, in lieu of a new Workforce Strategy being presented to Staff Governance Committee later in 2022.
- 11.3** The objective of this review was to examine adherence to procedures for three staff resourcing solutions, namely: internal recruitment and movement of staff, use of relief pool workers, and agency worker engagement. These are the main alternative resourcing solutions, outwith external recruitment and additional hours for existing staff – which are covered under specific recruitment and timesheet audits.
- 11.4 The Future of Work programme workstream includes a range of projects relating to improving workforce capacity, in order to track progress and this is regularly reported to CMT. These include a review of the internal recruitment and movement 're.cr.uit' scheme, development of a corporate relief pool as well as a working group which is in place to enhance control over and reduce dependency on the use of agency workers as a resourcing solution.
- 11.5 As a result, some processes and procedures are in transition as these improvement projects are underway. Accordingly, consideration of compliance with procedure was complemented with a more strategic review of the relationship between the three staff resourcing areas. The potential impact that current procedures and controls and the intended transformation will have on workforce development was considered to determine whether these would deliver an efficiently resourced workforce which maximises the benefits of existing knowledge, skills and experience, ultimately to deliver the Target Operating Model.
- 11.6 The factual accuracy of this report and action to be taken regarding the recommendations made have been agreed with Isla Newcombe, Chief Officer – People and Organisational Development; Lesley Strachan, Talent Manager; Jacqui McKenzie, Chief Officer – Customer Experience; and Craig Innes, Chief Officer - Commercial & Procurement.

12. FINDINGS AND RECOMMENDATIONS

12.1 Internal Recruitment

- 12.1.1 Written Procedures are beneficial for all Council activities as they ensure that due process is clear so that responsibilities can be consistently fulfilled. Suitable guidance is available on the intranet for the Council's internal recruitment scheme (re.cr.uit - Retaining Employees, Changing Roles, Using Internal Talent). The re.cr.uit scheme allows employees' existing skills to be aligned to the requirements of job opportunities that arise in the Council, opening the way for career development. The Talent Team within People & Organisational Development notify staff registered for the scheme of job opportunities where their skills and working preferences provide a reasonable match with the job profile. It aims to ensure recruiting managers see internal recruitment as the first 'port of call' when a vacancy needs to be filled.
- 12.1.2 The written guidance on the re.cr.uit scheme is being revised as part of a planned re.cr.uit scheme refresh and End to End Recruitment Redesign project included in the Future of Work programme's Workforce Capacity workstream. This will involve the development of new systems, processes, templates and forms, and authorisation methods. Extended use of the existing Talentlink recruitment system, in place of a bespoke re.cr.uit system, is planned to improve processes and practice, and new procedures will be developed as part of these projects.
- 12.1.3 The re.cr.uit digital tool was used from January 2021 for internal vacancy advertising, applications and administration: recruiting Managers could advertise a post with the job profile, and the digital tool determined the degree of alignment between employees seeking opportunities and vacancy requirements. Employees would undertake a psychometric or working preferences assessment known as OPQ32 at the point of signing up to the scheme and could maintain detail of their skills, training and experience on the digital tool for this purpose.
- 12.1.4 Following a cycle of learning and feedback from employees and recruiting managers, including identification of potentially inefficient elements of the process, it was determined that in addition to being digitally aligned to vacancies, internal job opportunities should also be advertised on the Opportunities Hub, with applications available to all employees, whether a member of the re.cr.uit scheme or not.
- 12.1.5 The internal recruitment process currently starts with the vacancy approval process which is undertaken using a Microsoft Form for managers to complete that provides and collates relevant vacancy data, including:
- Identifying the Recruiting Service & Manager.
 - Identifying the Vacant Post's grade, hours, term, location, and financial coding.
 - Identifying the nature, required skills and working preferences, qualifications, PVG Checks, and other demands of the post.
- 12.1.6 The Request to recruit / fill a vacancy form requires a recruiting manager to provide assurance that specific criteria have been met, including that the role is critical relating to the COVID-19 response or public health and protection, that it does not conflict with organisational redesign plans, and that all internal options to resource the role have been explored. These requirements are reinforced on the 'managing vacancies' page of the recruitment guidance available on People Anytime.

- 12.1.7 Since the budget meeting earlier this year, the delegations to officers were agreed and are considered to have overtaken the previous UBC decision. There is therefore no longer a requirement to make the justification relating to covid-19, but this has not yet been reflected in the form and guidance. The other criteria remain in place.
- 12.1.8 At present, statements recorded as part of the recruitment process in respect of these criteria (including post criticality, service design alignment, and exhaustion of alternative options) vary in their depth and extent. It is not explicitly recorded that managers have ensured all criteria are met prior to requesting recruitment. Should the criteria not be met in full, there is a greater risk that budget saving opportunities may be overlooked, achieving the aims of the re.cr.uit scheme may be limited, and establishing the workforce required to deliver the Target Operating Model could be hindered.

<u>Recommendation</u>		
The Service should update guidance and forms to reflect current requirements, then ensure that recruiting managers give clear declarations on the request to recruit form, in terms of whether a vacancy meets the key criteria for it to be progressed to the advertising stage. Checks should be implemented that ensure forms which do not provide the appropriate assurance are not processed.		
<u>Service Response / Action</u>		
Agreed. The forms and guidance will be updated.		
A series of checks are already in place. Completion of the Request to recruit form is just stage 1 of the vacancy approval process. The vacancy is then passed to the Cluster Chief Officer to confirm that they are satisfied that the vacancy is required to be filled. In addition, the vacancy is considered by the Finance team to confirm it is budgeted, by the Organisational Change & Design Team to confirm that it is not impacted by service / organisational redesign, and then final consideration and approval to progress is given by the Chief Officers Finance and People & Organisational Development .		
This element of the process will be superseded as part of the end-to-end recruitment process review. One of the agreed actions is to transfer the vacancy approval process into Talentlink, which will provide an automated vacancy approval process involving each of the parties above and contained within the system. This will ensure all requirements are met before recruitment progresses to the next stage. Development work within Talentlink is complete, testing is underway and it is anticipated that this will be implemented by 31 August 2022.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
December 2022	Talent Manager	Important within audited area

- 12.1.9 The Talent Team maintains recruitment data on a spreadsheet and checks that the criteria have been met. Support and guidance is provided to help managers explore other internal staff resourcing options before advertising a vacancy externally.
- 12.1.10 The recruitment spreadsheet indicates when and by whom the necessary approvals to progress a vacancy to recruitment have been given. In authorising, the Chief Officer of the recruiting Service justifies the need, Finance and the Chief Officer Finance confirms the availability of funding and the Organisational Change and Design Team confirms that it is not at odds with any organisational redesign plans.
- 12.1.11 Currently authorisations are provided by Manager / Chief Officer notifications in Teams Chats. Whilst these are clearly attributable to the relevant Officer, can be reviewed, and are retained in line with the Council's set retention policy, Teams Chat content does not

provide a suitable audit trail for verification after the event. Changes in Teams members risks access to historic data being lost, and in the absence of a standardised method of recording it will be difficult to identify the approvals for specific cases. Dependency on Teams Chat for notification of authorisation was also noted in the approval of a key change to Agency Worker procedure (parity from day one – see 2.3.4). This may not be an appropriate way to record authorisations since it may be more difficult to evidence the approval and any discussion at a later date.

Recommendation

The Service should ensure that appropriate means of transaction and procedure change authorisations are used.

Service Response / Action

Agreed.

The record of Chief Officer approvals by Microsoft Teams Chat functionality is only one step within the vacancy approval process. In addition, the vacancy is considered by the Finance team to confirm it is budgeted, by the Organisational Change & Design Team to confirm it is not impacted by service / organisational redesign, and then final consideration and approval to progress is given by the Chief Officers Finance and People & Organisational Development. There is therefore substantial scrutiny throughout the process, reducing the risk of recruitment progressing prior to all approvals being in place.

Teams is the desired method of electronic internal communication for the organisation, where appropriate. It is acknowledged, however, that there is a limit to the retention policy for Microsoft Teams Chat and that if a record of approval is required to be retained for longer than the outlined retention policy then an alternative method for capturing approvals is more desirable. In this case approvals have already moved into a dedicated Teams Channel, with the appropriate retention policy in place to support a more robust audit trail.

In Addition, as discussed with the audit team, please note that this element of the process is already planned to be superseded as part of the end-to-end recruitment process review. One of the agreed actions in the Project Plan is to transfer the vacancy approval process into Talentlink, which will provide an automated vacancy approval process involving each of the parties above and contained within the system. Development work within Talentlink is complete, testing is underway and target implementation is 30 September 2022.

Implementation Date

December 2022

Responsible Officer

Talent Manager

Grading

Significant within audited area

- 12.1.12 Following ongoing review of processes as part of the Future of Work programme, and as confirmed in a briefing titled Recruitment Process Changes and Improvements, shared with the Extended Corporate Management Team in June 2022, the Service intends to replace this interim spreadsheet measure within Talentlink, which managers use for external recruitment and are therefore familiar. There is a detailed plan in place for this and the Service anticipates a go live date of September 2022. It is intended that the switch to Talentlink should provide greater assurance over authorisations through a more robust audit trail which Talentlink already provides for external recruitment.
- 12.1.13 Following the cycle of learning, the re.cr.uit scheme introduced an Internal Job Application form using Microsoft Word for internal staff, which is submitted directly to the recruiting manager. Although this requires the title of the post being applied for, it does not require

a unique reference number which differentiates between posts applied for. Where the audit trail is evident throughout a process it is easier to trace and understand any anomalies and confirm that due process has been followed.

- 12.1.14 Talentlink generates a unique reference number for every vacancy, and although no specific errors were identified within a sample reviewed for the audit, quoting this in the application form would reduce the potential for error where similar roles are being applied for. This could be done in the intended refresh of the application form, which is detailed in the Talentlink project plan.

<u>Recommendation</u>		
The Service should ensure that revisions to internal recruitment process templates and the introduction of Talentlink provide a clear audit trail through every stage of the internal recruitment process - for example through use of a unique reference number throughout the process.		
<u>Service Response / Action</u>		
Agreed.		
The Service is unaware of evidence of any errors with the current internal recruitment system not having a unique reference number for each vacancy and this has not been identified as part of the audit. These are fully documented within the existing spreadsheet.		
As above, please note that as discussed with the audit team this element of the process is already planned to be superseded as part of the end-to-end recruitment process review. One of the agreed actions in the Project Plan is to transfer the entire internal recruitment process into Talentlink. When a vacancy is created, Talentlink will generate a unique reference number. Development work within Talentlink is complete, testing is underway and target implementation is 30 September 2022.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
December 2022	Talent Manager	Important within audited area

- 12.1.15 The application form focuses on key matters i.e. work history, relevant qualifications and applicants' own assessment of their suitability for the post detailed in the Job Profile. Applicants must categorise themselves under a 'Priority Status' on the application form. These are intended to provide the greatest opportunity to employees who need to access a role which they may have to 'grow into'. Provided training and skills gaps can be resolved within an acceptable time period Managers must consider those on redeployment as the highest priority (1), followed by those who are at risk of displacement through a service redesign or nearing the end of a modern apprenticeship (2). After this recruiting managers should consider other current permanent and fixed term Aberdeen City Council employees (3), before any relief, casual, currently engaged agency workers, or employees of eligible ALEO's and Partner Organisations (4).

- 12.1.16 The Council's Recruitment and Selection procedure is followed, and managers must consider applications and interview internal candidates according to their Priority Status. Priority Status is self-selected by applicants, (although, managers have an opportunity to confirm this status with People & Organisational Development if considered necessary). Following selection, normal hr/payroll processes are followed to update employee records to reflect the new post. It may be appropriate as part of the revised process, to develop a means of evidencing overall that priority status order has been observed in the selection process for each internal recruitment exercise.

Recommendation

The Service should determine the most appropriate mechanism for providing assurance over application of the selection process and priority status.

Service Response / Action

Agreed.

There is a field on the internal application form for employees to confirm their priority status and recruiting managers take this into account in their shortlisting decisions.

In addition, there are robust mechanisms in place to support Priority 1(P1) employees. Each P1 employee has a dedicated P&OD Adviser who is assigned to them throughout their period on redeployment to help source and support them into suitable alternative employment. They will liaise with recruiting managers for any vacancy that a P1 employee has indicated interest.

There is comprehensive guidance on the re.cr.uit scheme and the redeployment procedure, defining Priority Status and how these should be considered on the intranet. As with all People Management policies and procedures, it is expected that as part of their management role, that individual managers follow this approach and guidance.

As above, please note that as discussed with the audit team this element of the process is already planned to be superseded as part of the end-to-end recruitment process review. One of the agreed actions in the Project Plan is to transfer the entire internal recruitment process into Talentlink. The internal application form on Talentlink will have a field for employees to record their priority status and this will be clear to recruiting managers to take this into consideration as part of their shortlisting process.

Options for obtaining assurance that this is being applied consistently will be explored.

Implementation Date

December 2022

Responsible Officer

Talent Manager

Grading

Important within audited area

- 12.1.17 Although on a sample basis the scheme appears to be working effectively, current mechanisms for recording data are not sufficiently integrated to provide the Service with easily accessible performance management information. For example: the number of sign-ups to re.cr.uit; the proportion of recruitment still required to be advertised externally; changes in the level of vacancies filled through internal and external appointments; employees remaining in post after introduction / trial periods; or to confirm that priority levels have been applied and resulted in retention of appropriately skilled and alternatively capable staff. The Service has reported management information to the Staff Governance Committee, but this was derived through manual interrogation of various data sources. A more automated process would improve opportunities for management oversight and assurance.

Recommendation

The Service should ensure it can efficiently obtain performance management data to demonstrate the application and benefits of the re.cr.uit scheme.

Service Response / Action

Agreed.

Whilst the existing system is manual, it has been possible to gather and report detailed management reporting on internal recruitment and this has been reported to Staff Governance Committee on a number of occasions since the new re.cr.uit scheme has been introduced.

As above, please note that this element of the process is already planned to be superseded as part of the end-to-end recruitment process review. One of the agreed actions in the Project Plan is to transfer the entire internal recruitment process into Talentlink.

As explained during the audit, once the internal recruitment process is hosted within Talentlink, it will be possible to utilise the comprehensive reporting functionality on all aspects of the recruitment process. This is set out within the Project Plan with an anticipated implementation date of 30 November 2022.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
December 2022	Talent Manager	Important within audited area

12.2 Relief Pools

- 12.2.1 There are at least six different Relief Pools within the Council. As there is no corporate Relief Pool Procedure, local practice has developed, with guidance and support from the Talent Team within People & Organisational Development to ensure legislative compliance and best practice. Due to the roles involved and the spread and volume of relief cover required, methods vary in their complexity and scale.
- 12.2.2 For illustration, the Pupil Support Assistant and Supply Teacher Relief Pools contain details of many relief workers and the DSM Co-ordinator (Children's & Family Services) receives a high volume of relief cover requests. The relief workers and relief cover requests are co-ordinated on behalf of multiple schools across Aberdeen City on behalf of Head Teachers. Details of these relief workers, their availability, and skills, are recorded in spreadsheets for each Pool. Separate records are maintained to show those who are currently active and available, and for other relief workers who have indicated that they do not currently wish to be considered for relief work e.g. due to being on maternity leave. The Service makes regular checks and issues a request each term to update staff availability. Because of the devolved management of school budgets, staffing including the use of relief has to be closely monitored, by the DSM Co-ordinator and Finance.
- 12.2.3 The lack of a corporate procedure presents a risk of inconsistent practice – although similar processes have evolved, with guidance from the Talent Team, across the Council which works for the circumstances in which the relief pool operates. The degree of segregation of duties, and control over relief workers is devolved more for some relief pools than others.
- 12.2.4 Consideration needs to be given to qualifications and experience, and familiarity with the location, people and work involved to ensure best fit for the job requirement. This reduces the risk of breaches of regulations, health and safety incidents and helps maintain appropriate standards of service delivery (e.g. continuity of support for school children). However, specification and selection needs to be balanced with equity of availability of opportunities – otherwise there is a risk of over-reliance on a smaller pool of workers, and a potential reduction in available options.
- 12.2.5 Procedure and necessary considerations need to be explicit so that relief cover is only used where necessary, and where required the process is efficient both for Services to administer and for relief workers to take part in. Clear corporate guidance could help

ensure key requirements are met including record keeping, needs assessment, authorisation of relief cover, involvement of the Talent Team, budgetary requirements, staff contact methods, staff selection methods and timesheet payments .

- 12.2.6 Relief Workers record hours worked on timesheets which must be signed by the manager and submitted to Payroll for payment. This process has been tested as part of recent payroll and timesheet internal audits.
- 12.2.7 While written procedures can help standardise practice, compliance in matters such as driver licence checks and equalities monitoring becomes more difficult the further devolved relief pool administration is and the more widely workers are spread. Senior Management need confidence that risks to health and safety, child protection, budgetary control and of fraud have adequate controls to mitigate these risks.
- 12.2.8 The 2022/23 revenue budget includes a saving in the agency staff costs line which the Council, in addition to reducing agency spend, intends to deliver through Relief Pool centralisation, in accordance with the Future of Work Programme. A working group led by the Talent Manager is in place: IT solutions are being explored, and a business case and job profile for a central Relief Pool Co-ordinator role is being completed. A detailed plan / timetable to centralise all pools is still to be established, and the Service has indicated that corporate guidance will be developed thereafter.
- 12.2.9 The placing and remit of the proposed corporate Relief Pool Co-ordinator role has yet to be determined. If it could be used to monitor needs, identify control weaknesses, address inequity and inconsistent practice, and confirm procedural compliance; in addition to ensuring relief workers have a clear point of contact and support, which ensures that training, wellbeing and IT needs are met, it could have a significant impact on how effective these resourcing solutions are in delivering the workforce the Council aspires to.
- 12.2.10 A well-coordinated relief pool function, appropriate agency worker usage and effective internal recruitment are key staff resourcing solutions which dovetail with each other and are key enablers for developing the workforce required to deliver the Target Operating Model.

Recommendation

The Service should prepare a detailed implementation plan and timetable to ensure intentions to administer relief pools from a corporate level are realised.

The Service should ensure a corporate relief pool procedure is established that accommodates necessary variances in practice and ensures Services' relief staff needs are met in an appropriate manner.

The Service should give due consideration to the placing and remit of the intended Co-ordinator role so that it maximises benefits for the Council's staff resourcing solutions and requirements.

Service Response / Action

Agreed.

Development of a corporate relief pool resource has been agreed as part of the budget setting process and is a project set out in the Future of Work Programme and each of the actions within this recommendation already form part of that project.

Implementation Date

March 2023

Responsible Officer

Talent Manager

Grading

Significant within audited

12.3 Agency Workers

- 12.3.1 In addition to relief workers, an alternative resourcing solution to meet unexpected or unmet staff requirements is to engage agency workers. The Council's Agency Workers Procedure shows the process to be followed and the responsibilities of directors / chief officers, hiring managers, the Transactions Team and the Talent Team, who all play a role in engaging agency workers. Adherence to the procedure provides assurance that the Council is complying with Procurement and Financial Regulations, and that transactions are administered and authorised appropriately.
- 12.3.2 A series of framework agreements have been adopted or tendered by the Council, to ensure a compliant process is in place for contracting the supply of agency staff. Selection between potential suppliers within these frameworks is either on a ranked priority basis or via further competition depending on the role being filled. Costs, and terms and conditions vary widely outside of these contracts, therefore the Agency Workers Procedure requires framework contract suppliers to be used, with exceptions to be considered on a case by case basis by Commercial and Procurement.
- 12.3.3 Agency workers can cost more than permanent or relief staff, due to the additional costs incurred paying agencies for their services on top of basic wage costs. The cost may also increase after 12 weeks, following which period agency workers are legally entitled to parity of wages and certain other entitlements which would have been available to them if they were directly employed by the Council. Monitoring this is complex, as workers doing the same or similar roles over this period would need to be tracked, potentially over multiple Council services. To aid in monitoring and, where possible find alternative lower cost resourcing solutions, although purchase orders can be raised for up to 12 weeks of agency cover, the Procedure requires the recruiting Manager to contact the Transactions Team at the eight week stage if an extension is required. There are however no automated controls to ensure this always takes place.
- 12.3.4 The Commercial and Procurement Shared Service advised that approval has been sought to apply parity from day one of an agency placement in order to improve efficiency and reduce the risk of error, as well as ensuring that the Council can provide a more competitive rate of pay for frontline workers in an increasingly challenging market. This may lead to increased costs from the outset of an agency engagement but reduces the cost and risks of administering it retrospectively.
- 12.3.5 An Agency Steering Group and associated Working Group are in place to transform the processes in place for Agency Worker use and monitoring. One action is to update the current procedure so that there is more emphasis on exploring alternative resourcing options. The Working Group also intends to implement a regular review of the written procedure to ensure it is up to date and promotes good practice, whilst reducing dependency on agencies and the associated costs.
- 12.3.6 The more widespread the use of and administration of agency workers is, the greater the risk of inconsistent practice or non-compliance with Financial and Procurement Regulations. Key evidence such as Authority to Use Agency Worker forms and authorisation to use off-framework suppliers is not all held centrally. As a result, the Council's assurance over the adequacy and consistency of authorisation and control of agency spend and adherence to appropriate practice is reduced. Accordingly, the Working Group aims to fully centralise agency worker ordering and administration in the Transactions Team.

- 12.3.7 The Transactions Team holds a central record of agency staff, but at the time of the audit review this did not include details from Services still to be centralised, i.e. Commissioning, Adult Social Care and Education. Some services have more freedom than others to engage agency workers without contacting the Transactions Team or checking for alternative solutions the Talent Team may be able to offer instead of agency workers. This is particularly common where workers are engaged under 'bulk' purchase orders which are raised monthly by the Transactions Team. This arrangement is in place to better accommodate services which experience unexpected staff cover requirements more frequently than others; and where there is demand outside of office hours. Although timesheets and invoices come via the Transactions Team and are checked to the purchase order, this is after the work has been carried out and a legal obligation to pay has arisen.
- 12.3.8 These exceptions are not documented in the Agency Worker Procedure, and as a result there is a higher risk of non-compliance with procurement regulations, and additional costs being incurred. Whilst centralising administration may aid in ensuring compliance, there is a risk of delays in the event that demand exceeds administrative capacity at particular times, and a continued requirement for exceptions for out of hours requests. This will need to be factored in to avoid continued non-compliance to meet the exigencies of service delivery.
- 12.3.9 The total value of invoices charged to budgets as 'Agency staff' in 2021-22 was £3.7 million. £1.2 million of this was not paid to suppliers included on the shortlist of agencies included alongside the Agency Workers procedure.
- 12.3.10 Further analysis identified over £300,000 had been incorrectly coded and related to other non-agency activities. A further £250,000 had been spent with an agency on an adopted framework but not included in the shortlist. This left approximately £600,000 of spend with suppliers not currently on agency frameworks. Commercial and Procurement has provided assurance that £500,000 of this related to teaching staff cover for which a compliant solution was not previously available. Since 2018 interim options have been applied instead to ensure adequate teaching cover was in place. A compliant framework is currently being tendered, and it is anticipated that there will be suitable procurement frameworks available to officers for all required services areas by September 2022. This shall allow for a route to market for all agency arrangements in line with established procedure and governance.
- 12.3.11 As noted at 2.3.8 above, there may be exceptions to normal practice, and in such cases a clear process is required, including authorisation at an appropriate level. Such approval is currently provided by Commercial and Procurement on an ad-hoc basis; however there is no consistent process in place for recording and retaining evidence of these approvals being sought and obtained, the extent and circumstances to which they apply, and for following up to ensure the issues are addressed through revisions to practice or further procurement activity. This could affect compliance with the Council's procurement regulations. Ownership and monitoring at a corporate level would aid the Council in developing workforce solutions which reduce off framework spend and overall dependency on agency workers.
- 12.3.12 Clearer ownership with effective monitoring and oversight of overall Agency spend would assist in identifying mis-coding and off-contract spend at an early stage. Overall checks of Agency spend in the ledger could also identify where Financial Regulations may have been breached. Purchase orders were not raised for 37 of the 2956 transactions (£127,000) which went through agency codes in 2021/22. Whilst this is a small proportion of the number (1%) and total value (3%) of payments, each instance represents a breach of the Council's Financial Regulations and no purchase order – no payment policy.

Recommendation

The Service should ensure that adequate monitoring mechanisms are in place to ensure compliance with Procurement and Financial Regulations, provide good oversight of agency worker use at a corporate level, and so that corrective action can be taken where this is required.

Service Response / Action

Agreed. Monitoring mechanisms are in place at present in the form of 1) Record of Agency Workers, 2) the Agency Worker Procedure (which provides adherence to the Procurement Regulations) and 3) the People Performance Dashboard which provides detailed management information on agency spend and use.

The Services shall develop a process around the above three mechanisms and meet twice annually to review any corrective action that requires to be taken.

Implementation Date

January 2023

Responsible Officer

Talent Manager;
Strategic Commercial
Manager / Category
Manager; Finance
Controls Manager

Grading

Significant within audited
area

- 12.3.13 Coordination of Services' agency administration needs to be accompanied by improved mechanisms for record keeping, and monitoring and reporting, for the reasons discussed above, including ordering, financial coding, and management of exceptions. This will also help hiring managers, the Transactions Team, CPSS and the Talent Team develop staff resourcing solutions and increase good practice. The working group intends to expand the existing management information on Agency Worker spend and use within the People Development Dashboard for monitoring and reporting purposes, which should improve oversight of staff resourcing. Improved access to and sharing of quality management information could help identify where internal resources and procurement solutions can be developed to make solutions for meeting unexpected staffing needs more effective.
- 12.3.14 The current spreadsheet is administered by the Transactions Team but has content in some columns which does not match the headings. Data validation control is limited which increases the risk of incomplete or erroneous information. In its present format, the benefits which could be gained from making comparisons between unexpected demand met from Agency Workers, Relief Pools or by other means are limited.
- 12.3.15 The service intends to refresh the existing Authorisation for Use of Agency Worker forms and further digitise where possible. Combining this with a review of the associated record keeping and reporting mechanisms would bring significant benefits and efficiencies to the process – for example to evidence and provide assurance that due procedure has been followed, appropriate checks completed and authorisations given for all Agency Worker engagements, the posts and duration covered, and any extensions thereto.

Recommendation

The Service should review Agency Record keeping and administration methods to ensure they facilitate staff resource and procurement framework development and provide an efficient process which gives assurance over compliance with the Agency Worker Procedure.

Service Response / Action

Agreed.

Monitoring mechanisms are in place at present in the form of 1) Record of Agency Workers, 2) the Agency Worker Procedure (which provides adherence to the Procurement Regulations) and 3) the People Performance Dashboard which provides detailed management information on agency spend and use.

Additional to the previous recommendation, the Record of Agency Workers will be amended to ensure that information is correct and in an appropriate format. Additional information columns shall be added as confirmation that the Talent Team has been consulted, as per the procedure, and that where an off-framework engagement has been made, that an exemption has been appended to the purchase order.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
January 2023	Talent Manager; Strategic Commercial Manager / Category Manager / Finance Controls Manager	Important within audited area

12.3.16 Where off-payroll workers are used to meet Council requirements, IR35 regulations may be applicable necessitating the Council to make appropriate deductions from invoice payments so that tax and national insurance due is paid to HMRC via the Payroll system. The Council has issued clear guidance for managers to ensure compliance with the regulations.

12.3.17 Ownership of the responsibility for confirming that IR35 implications have been considered where agency staff are engaged is currently unclear. Although IR35 is unlikely to apply where Framework Agencies are used, the risk of rules being inconsistently applied / misunderstood is increased where hiring managers are left solely responsible for this. To reduce the risk, the Service should verify IR35 implications / service checks as part of the Agency Worker process to evidence these have been completed appropriately.

Recommendation

- a) The Council should ensure there is clear ownership of the responsibility for performing and retaining evidence of IR35 checks on agency worker engagements.
- b) Procurement guidance should be updated to reflect IR35 requirements.

Service Response / Action

- a) Agreed. P&OD, Customer, Commercial & Procurement, and Finance, will review the controls around IR35 compliance. The Talent Manager within P&OD will facilitate these discussions.
- b) Agreed. Procurement will ensure that procurement guidance is updated to reflect IR35 requirements.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
a) March 2023	Talent Manager	Important within audited area
b) January 2023	Strategic Commercial Manager / Category Manager	

AUDITORS: J Dale
C Harvey
P Smith

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.