

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	19 February 2026
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2604 – Agency Costs
REPORT NUMBER	IA/AC2604
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 Agency Costs.

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. CURRENT SITUATION

- 3.1 Internal Audit has completed the attached report which relates to an audit of Agency Costs.

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. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 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.

8.2 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.

9. 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

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit report AC2604 – Agency Costs

12. REPORT AUTHOR CONTACT DETAILS

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Internal Audit

Assurance Review of Agency Costs

Status: Final
Date: 06 February 2026
Risk Level: Function

Report No: AC2604
Assurance Year: 2025/26

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

Report Tracking	Planned Date	Actual Date
Scope issued	17-Jul-2025	17-Jul-2025
Scope agreed	24-Jul-2025	24-Jul-2025
Fieldwork commenced	4-Aug-2025	12-Aug-2025
Fieldwork completed	29-Aug-2025	24-Oct-2025
Draft report issued	26-Sep-2025	25-Nov-2025
Process owner response	17-Oct-2025	20-Jan-2026
Director response	24-Oct-2025	03-Feb-2026
Final report issued	31-Oct-2025	06-Feb-2026
AR&S Committee	19-Feb-2026	

Distribution	
Document type	Assurance Report
Director	Andy MacDonald, Executive Director – Corporate Services
Process Owner	Lesley Strachan, Service Lead – People & Citizen Services Mel Mackenzie, Strategic Commercial Manager – Commercial & Procurement Services Bernadette Bularan, Deputy Chief Finance Officer
Stakeholder	Isla Newcombe, Chief Officer – People & Citizen Services Craig Innes, Chief Officer – Commercial & Procurement Services Jenni Lawson, Chief Officer – Governance, Aberdeen City* Jonathan Belford, Chief Officer – Finance*
Final only	External Audit
Lead auditor	Debbie Steele, Auditor

1 Introduction

1.1 Area subject to review

The Council has adopted national framework agreements for acquiring agency staff. The frameworks are made up of multiple suppliers offering a variety of different skilled workers when this is required to fulfil resource requirements e.g. due to unexpected shortfall of staffing levels or temporary increased workload.

Within the Corporate Services function the clusters of Commercial and Procurement Shared Services, People & Citizen Services, and Finance set the guidance, and provide advisory support to recruiting functions/ clusters in relation to the engagement and management of agency workers. Day to day management of agency work, and compliance with procedural requirements is the responsibility of individual services.

Starting from their first day of work the Agency Workers Regulations 2010 mandates assigned agency workers be treated no less favourably than staff that have been directly recruited into a contracted post through the recruitment and selection process.

Following completion of a 12-week qualifying period agency workers are entitled to the equal basic employment and working conditions to the staff who have been recruited directly for the comparable post i.e. same level of pay and allowances, where applicable. Monitoring processes ensure compliance with internal regulations and the Agency Workers Regulation 2010.

During 2024/25, the total spend recorded as Agency Expenditure for all services was £2,571,112.76 with 48.7% being with the Families and Communities Function

1.2 Rationale for the review

The objective of this audit is to ensure that appointments are made from appropriately tendered contracts and that individual appointments are adequately managed.

The requirement for agency staff may be unavoidable where there is an urgent need to meet demand, however it can result in additional cost. There are also risks in respect of procurement compliance, and the additional complexity of managing, co-ordinating, and ensuring the accuracy of payments made for, staff not directly employed by the Council.

The last audit of this area, AC1712, was concluded in February 2017. The main findings were:

- Over 40% of agency worker spend was placed with suppliers not on the procurement framework for agency workers.
- The terms of the Framework Agreement were not adhered to, with agency suppliers being approached out with the ranked order process.
- The guidance around when it is acceptable to use agency staff was open to interpretation and procedures were lacking instruction on the processing of agency worker timesheets. Agency workers were being engaged without approved authorisation, inductions were not being carried out, and engagement periods exceeded the maximum 12-week qualifying period. Corporate recruitment procedures were being circumvented with agency suppliers being used to recruit permanent staff.
- Breaches of Financial Regulations were identified with rates of pay being applied which were over and above the agreed contract rates and invoices had no supporting purchase orders.

The current audit will seek assurance these points have been addressed, and that control systems and processes are operating effectively to address the relevant risks.

1.3 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Function	This issue / risk level has implications at the function level and the potential to impact across a range of clusters. They could be mitigated through the redeployment of resources or a change of policy within a given function.

2.2 Assurance assessment

The level of net risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the management of agency appointments. Where pockets of higher risk have still remain, this audit recognises that controls have been enhanced after the last review. This work by Management includes development of a corporate procedure, and a marked improvement on the proportion of on-contract spend and a reduction in cost overall.

However, areas of weakness in the implementation and consistent application of these controls, including resource requirements, demand management, and procurement, purchasing, persist. There is variation in practice between clusters, and variation between service approaches in similar situations, and none are evidenced as fully compliant.

The Council spends an average of £2.9m per annum on agency staff, with £2.6m spent in 2024/25. This has reduced from £3.3m in 2021/22. The main users include Corporate Landlord (£1.2m) and Operations (£0.9m), which have recurring substantial demand for agency workers as a result of local and national recruitment and retention difficulties. Other spend is more ad-hoc, based on specific requirements arising across other clusters. £1.6m was spent in the first six months of 2025/26. If spend continues at the same level, costs could reach over £3m for the current financial year.

There is potential to strengthen the framework of control to provide further assurance over delivery against the Council's priorities, specifically:

- Staff Guidance and Governance** – The Council's Agency Worker Procedure was last updated in 2021. While this provides an overview of the required process, it is not aligned with practice. Clusters regularly engaging agency workers have developed their own processes, custom and practice, varying in content and detail, including the extent and quality of internal controls. There are areas within the corporate process where guidance should be strengthened, including: monitoring of agency requirements and usage, pay parity, supplier selection and ordering, management of recurring/bulk orders, contract management responsibilities, sourcing/confirming agreed rates of payment and responsibilities for any variations, inductions and training, review of timesheets, and document management. These gaps present a risk of inconsistency, and of any changes made at a corporate level not being filtered through effectively to cluster level.

- **Resourcing and Onboarding** – Decisions need to be made in advance to ensure the right resources are in the right places at the right time. Clusters with regular requirements typically obtain chief officer authorisation and raise purchase orders for recurring agency usage in bulk, rather than for individual placements. There is no evidence of regular or routine discussion with the Talent Team to explore alternative options. Clusters are not fully demonstrating compliance with the competition and selection requirements included within the agency framework contracts, presenting a risk of additional cost and legal challenge. There is limited assurance that IR35 employment status is being confirmed, as noted in the current guidance, in advance of engaging the services of each agency worker, presenting a risk of non-compliance, additional cost, and penalties, with Management advising that the current suite of guidance is being updated to reflect operational requirements and the latest legislative requirements that has changed this requirement. Services' approaches to communicating and recording essential qualifications/training, and briefing/onboarding requirements also vary.
- **Monitoring** – The Council spends an average of £2.9m per annum on agency staff. In previous years there has been a focus on off-contract spend, with a view to improving procurement compliance and better utilisation of approved framework providers, to reduce risk and improve value for money. Whilst off-contract spend has reduced, this is no longer monitored and centrally reported to the same extent. Agency workers are regularly engaged for more than 12 weeks – with a number identified as having been in place for over a year. Extensions are generally approved within the purchasing service, with no further/wider input required. There is a risk agencies could be seen as a shortcut to resolving resource issues, the ability to attract talent, or avoiding adjustments to service standards, each of which could be indicative of underlying issues which should be addressed at a more strategic level. Without regular monitoring with results reviewed with relevant clusters, agency use, and costs could escalate beyond available budgets. However, effective monitoring could be challenging due to the availability of quality data: central and cluster records are incomplete, and there are inconsistencies in recording.
- **Purchase Ordering and Payment Controls** – The Council's Financial Regulations include a requirement to issue a formal purchase order (PO) in advance of obtaining goods and services. PO's are regularly being created for agency work, but there is variation in how and when they are set up and approved. In many cases combined requirements for agency staff have been estimated and one agency authorisation form completed covering multiple posts/roles, for up to a year in advance, for a defined maximum value (up to £1.2m in one case). Hours, rates, and lengths of placement are not specified in advance. POs are typically raised for a nominal sum (e.g. £1) and then revised later. This offers a means to process payments and manage the overall budget, but offers limited control, as rates, expected costs, and the length of time covered, vary between roles. There is a risk that this creates a cycle of unchecked demand as PO's are created or extended to cover costs already incurred on a recurring basis. In breach of Financial Regulations, orders are not all being approved in advance of the period covered by a PO. Costs are also not always being aggregated for the purposes of determining the appropriate procurement governance routes. Failure to aggregate spend and apply the correct procurement rules presents a risk of legal challenge. At the point of ordering, rates and placement lengths are not being explicitly agreed and documented in advance. The absence of formal documentation may put the Council at a disadvantage in the event of an error, or dispute over rates or other costs. There is also variation in practice for receipting agency workers' hours.

Recommendations have been made to review and consolidate agency worker procedures to ensure requirements and responsibilities across the Council are clear and consistent, with any exceptions subject to appropriate governance; to develop and implement controls to ensure all key stages of the resourcing and onboarding process have been confirmed and evidenced as complete prior to work commencing; to standardise processes and data collection to support effective monitoring and demand management; and to implement controls to ensure agency spend is subject to advance specific approvals and purchase orders, with clarity over rates and duration, to facilitate a full matching process for ordering, receipt and payment.

It is acknowledged supporting clusters including People & Citizen Services, the Commercial and Procurement Shared Service (CPSS), and Business Services (Transaction Team), are reliant on

colleagues within individual Functions/Clusters to facilitate, engage and apply consistent processes. However, as a corporate risk, Internal Audit considers that the recommended actions are more appropriately driven by a corporate approach from the centre.

2.3 Identified Risks

Risk Level	Number of Risks Identified
Severe	-
Major	2
Moderate	2
Minor	-
Total	4

2.4 Management response

People and Citizen Services, Commercial & Procurement and Finance appreciate the valuable insights and recommendations provided by the Internal Audit Review into agency costs. We fully recognise both the challenges and risks identified and remain committed to ongoing improvement in this area.

Since the last audit in 2017, all prior recommendations were successfully addressed, with the establishment of an Agency Steering Group, including Chief Officers from key departments, to drive progress. This group has overseen a comprehensive action plan aimed at reviewing agency usage and spend, prioritising the reduction of non-essential agency activity and ensuring compliance with relevant frameworks. Importantly, this has included the development and implementation of a robust corporate procedure.

Significant positive changes have been realised since 2017, including reduced overall spend, lower off-contract expenditure and the introduction of clearer procedures. Targeted interventions have supported high-use areas such as Family & Community Services, especially where hard-to-fill roles like Children's Social Workers and Teaching positions required additional resource solutions. These measures have improved access to compliant on-contract providers and reduced reliance on agency staff.

The introduction of the updated corporate procedure has strengthened organisational control over agency usage and spend. Central oversight ensures all requests (outside of bulk Operations orders) are properly managed, from initial request through to payment. The procedure has also fostered a cultural shift, with managers now viewing agency resource as a last resort. This change is reflected in the reduced spend across all Council functions and clusters.

We would like to thank Internal Audit for their support throughout the review and constructive recommendations. We are committed to working collaboratively to address the gaps identified in governance, control, and operational processes relating to the engagement and management of agency workers across the Council

It is accepted that the audit findings have highlighted that there is a need for improvement in the approach to managing agency workers, both to ensure compliance with procurement and financial regulations and to achieve best value for the Council.

Looking ahead, we are proactively updating our policy and guidance to reflect the evolving landscape and operational requirements. These updates will address the audit findings, within this report and will ensure that all business areas are clear on their responsibilities and fully accountable for compliance, reinforcing our commitment to effective resource management and transparent governance.

For information the comparative spend and on/off contract spend is shown below between 2016/17, the last full year 2024/25 and the first two quarters of 2025/26:

	2016/17		2024/25		2025/26 Q1 & Q2	
	Total	%	Total	%	Total	%
Total Spend	£ 7,990,488		£ 2,220,335		£ 1,077,678	
ON Contract	£ 3,887,576	49%	£ 2,045,993	92%	£ 1,009,640	94%
OFF Contract	£ 4,102,912	51%	£ 174,342	8%	£ 68,038	6%

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Moderate
1.1	<p>Written Procedures and Guidance – The Council's Agency Worker Procedure was last reviewed and updated in 2021. While this provides an overview of the required process, it does not always align with operational practice. Clusters regularly engaging agency workers have developed their own processes through custom and practice, and these vary in content and detail.</p> <p>The Agency Worker procedure sets out the roles and responsibilities of the clusters, as originally planned. Controls were built into the process so that the processes would be carried out independently to ensure segregation of duties. However, different stages and clusters are now involved in the process compared with those referenced in the procedure. There is no clear guidance in the procedure as to their roles and responsibilities, and where their boundaries are in the process e.g. the procedure details the "Transactions Team" being responsible for tasks, but managers referenced CHI Admin; Agency Support and Business Services undertaking the relevant tasks, in addition to their own cluster's role. Lack of clarity over what each cluster is responsible for has led to the process becoming disjointed. This is particularly marked for clusters where there is recurring and regular agency usage.</p> <p>Guidance should be strengthened (either within or adequately signposted from the Agency Worker procedure) in respect of:</p> <ul style="list-style-type: none"> • Monitoring Agency Worker engagements, at both a detailed and a corporate level. • Pay parity (which can be deferred for 12 weeks to provide a cost saving, is applied from day one, except where management decide otherwise). • Current available and adopted frameworks, suppliers, and their distinct rules for ranking/competition. • Approved variations in practice (e.g. approaching suppliers simultaneously rather than one by one). • Recurring/bulk orders. • Contract management responsibilities including supplier engagement at a central/corporate or cluster level. • Agreed rates to be paid to suppliers, and communicating any changes. • Responsibilities and central sources of data for agreement and revisions to pay rates, including pay awards, PAYE/NI revisions, changes to the working week, and calculation/agreement of back-pay for retrospective changes. • Required content/minimum standards and records for agency worker inductions. • Processes for receipt, checking, and approval of timesheets for hours worked, and invoices against these. • Document management and retention requirements. <p>Whilst generally more detailed, cluster/section-level flowcharts and step by step guidance contained obsolete information and lacked clarity over the context and purpose of specific steps to aid users' understanding of their role in the overall process. There are also differences in approach (see Appendix 3). Having multiple procedures at this level presents a risk of inconsistency, and of any changes made at a corporate level not being filtered through effectively. For example, some contained supplier details (which could be subject to change), and none covered IR35 checks.</p> <p>The absence of up-to-date, consistent procedures and clear guidance across the key controls creates risk for the Council. Without a unified approach, clusters operate with varying</p>		

Ref	Description	Risk Rating	Moderate
	practices, leading to potential non-compliance, inefficiencies, and exposure to financial, legal, and reputational harm.		
	IA Recommended Mitigating Actions		
	Agency worker procedures should be reviewed and consolidated to ensure requirements and responsibilities across the Council are clear and consistent. Any exceptions should be reviewed, confirmed and logged centrally through an appropriate governance mechanism.		
	Management Actions to Address Issues/Risks		
	<i>Agreed. The Using Agency Workers Procedure was implemented in 2021 and is currently under review.</i>		
	<i>We have developed an action plan to consider and progress the recommendations and this will include a full review of the agency procedure, agency worker request form and authorisation process which will be undertaken collaboratively by People & Citizen Services, Commercial & Procurement and Finance with key stakeholders involved as appropriate - including end users with larger spend. The findings and recommendations from this Internal Audit review will be considered and taken account of within the review of the procedure. It is proposed that a checklist is incorporated in the procedure for hiring managers to ensure that steps are followed in each instance.</i>		
	<i>Roll out of the procedure will be supported by Comms and sessions for hiring managers will be held to highlight changes to the procedure and responsibilities of hiring managers.</i>		
	<i>An Agency Steering Group will be re-established with managers from People & Citizen Services, Commercial & Procurement and Finance to review the effectiveness of the procedures, monitor spend, compliance with agency spend, and exceptions.</i>		
	Risk Agreed	Person(s)	Due Date
	Yes	Strategic Commercial Manager, Service Lead – People, Deputy Chief Finance Officer	31 December 2026

Ref	Description	Risk Rating	Major
1.2	<p>Engaging and Onboarding Agency Workers – Decisions need to be made in advance to ensure the right resources are in the right places at the right time. Clusters with regular requirements for agency cover typically obtain Chief Officer authorisation and raise purchase orders for recurring agency usage in bulk, rather than for individual placements. These clusters review resources against levels of demand on a weekly or daily basis. This data is used to inform day to day planning and requests to agencies for candidates.</p> <p>In relation to engaging and onboarding agency workers overall, the following was identified:</p> <ul style="list-style-type: none"> • There is no evidence of regular or routine discussion between services and the Talent Team to explore alternative resourcing options before using agency, in line with the requirements placed on Directors/Chief Officers and Hiring Managers by the Council's Agency Workers Procedure (2021). The current agency authorisation form includes a reminder to do so, but no recording mechanisms are in place. If managers are not doing this, then alternatives may not be appropriately considered, and demand may not be managed effectively. • The Establishment Control Board (ECB) reviews all requests to advertise vacancies, and job advertisements were found for various roles currently covered by agency workers, however approval to advertise may be paused pending review or further 		

Ref	Description	Risk Rating	Major
	<p>clarification of requirements. In the interim, agency workers may continue to be used by default.</p> <ul style="list-style-type: none"> • There is variation in liaison with agency suppliers. An Agency Support Team within Finance leads on this task for some clusters, whilst in contrast to the procedure others engage direct. In these cases, decisions are not fully documented. Where requests have been made verbally, there is no record to confirm the selection process was compliant with framework terms and conditions. One cluster selected candidates based on order of receipt, whilst another referenced moving from the third-ranked to first-ranked provider due to lack of options, indicating a lack of understanding of rankings and the requirement to apply them. While the Agency Support Team helps better demonstrate compliance, suppliers are contacted simultaneously rather than one by one in ranked order, and selection is up to the relevant cluster; with decisions largely based on availability, speed of response, and previous experience with specific workers. Failure to comply with the framework requirements presents a risk of additional cost through potentially selecting more expensive suppliers, and in the event of legal challenge over procurement compliance. • The Council's Agency Workers Procedure notes it is the responsibility of the Hiring Manager to ensure that any worker is paid PAYE and is not implicated under the Off Payroll Working (IR35) legislation. The Council's Off-Payroll Working (IR35) guidance clearly sets out that where a contractor is engaged through an agency, the public-sector body (the Council) is still responsible for undertaking the assessment and for notifying the agency, for them to make the correct tax and NI deductions. However, services had no records of checks having taken place. Whilst most frameworks cover this requirement, these are not always used, and it cannot be assumed that in every case a worker will be on the agency's payroll. In one case reviewed, the agency had included 'n/a' for tax and national insurance elements of their rate, and in two others this was blank, with no indication this had been followed up. The Council could be liable for additional PAYE costs and penalties for non-compliance. Management has advised that the current suite of guidance covering IR35 is out of date and does not reflect the current operations to be followed in relation to engaging agency workers. • There are inconsistencies in respect of qualifications and records being checked prior to work commencing. Where the Agency Support Team is involved requests to agencies include the specific requirements. Lists are returned and candidates considered, and qualifications and other details are reviewed and held on file in a structured manner. However, these records were not all complete for workers who had been engaged. Services regularly ask for workers to bring physical copies of documentation on their first day. Where recorded, this indicated 60% of attendees failed to bring documentation, but, there is limited evidence of workers being rejected or deferred as a result. P&OD has stated that full onboarding, training, and induction processes are inappropriate for agency workers because they are not employees of the Council, and such activities could risk creating an implied employment relationship: the agency remains responsible for contractual, employment, and competency requirements. The extent of variation in practice therefore presents risks to efficient resource management. There are also potential risks in respect of data protection compliance if personal documentation is obtained and retained if it is not required. • However, the Council must provide all necessary local health and safety briefings and site-specific safety information to ensure safe working practices while the worker is on Council premises or carrying out Council-related duties. The approach to providing this, and confirming it has been done, varies. • The agency worker procedure includes an induction checklist template, but this is largely blank with services left to fill in their requirements. The checklist is not regularly used, and clusters have their own processes for inducting and training new 		

Ref	Description	Risk Rating	Major
	<p>agency workers. Records varied and were incomplete, reducing assurance that minimum requirements have been set and completed. It was not possible to confirm that mandatory corporate training had been completed by any of the agency workers reviewed. In cases where cluster-specific forms and records are in place, these generally reflect discussion and confirmation of understanding of key requirements with the agency worker, rather than the completion of specific training. One cluster has developed a presentation outlining these requirements. Whilst positive, this is substantially less detailed than the inductions and mandatory training requirements applicable to employees. If there are gaps, particularly where there is recurring use of the same workers over an extended period, there may be greater risks to corporate compliance.</p> <p>Weaknesses in planning, documentation, and compliance around resourcing and onboarding agency workers create a risk for the Council. These include potential breaches of procurement and tax regulations, inconsistent application of frameworks, and inadequate assurance over worker qualifications and mandatory training, all of which could lead to financial penalties, operational inefficiencies, and reputational damage.</p>		
	IA Recommended Mitigating Actions		
	<p>Controls should be implemented to ensure all key stages of the resourcing and onboarding process have been confirmed and evidenced as completed prior to agency work commencing.</p> <p>Minimum training requirements should be defined centrally and implemented for all agency workers. Consideration should be given to additional training requirements depending on length and frequency of engagement.</p> <p>The current suite of guidance around IR35 should be reviewed and updated to reflect operational requirements.</p>		
	Management Actions to Address Issues/Risks		
	<p><i>Agreed.</i></p> <p><i>As above, the Using Agency Workers Procedure was implemented in 2021, following the last internal audit on agency, and is currently under review.</i></p> <p><i>We recognise that the current document is out of date in regards to IR35, PAYE and Training Checks.</i></p> <p><i>Aberdeen City Council should not need to conduct IR35 assessments for workers procured through an agency, as these individuals are employed and paid by the agency and not engaged through personal service companies to which off-payroll working rules apply. Consequently, the agency holds responsibility for employment status, payroll deductions, and compliance with relevant legislation.</i></p> <p><i>Full onboarding, training, and induction processes are inappropriate for agency workers because they are not employees of the Council, and such activities could risk creating an implied employment relationship. The agency remains responsible for contractual, employment, and competency requirements.</i></p> <p><i>However, the Council must provide all necessary local health and safety briefings and site-specific safety information to ensure safe working practices while the worker is on Council premises or carrying out Council-related duties.</i></p> <p><i>We have developed an action plan to consider and progress the recommendations and this will include a full review of the agency procedure, agency worker request form and authorisation process which will be undertaken collaboratively by People & Citizen Services, Commercial & Procurement and Finance with key stakeholders involved as appropriate - including end users with larger spend. The findings and recommendations from this Internal</i></p>		

Ref	Description	Risk Rating	Major
	<p><i>Audit review will be taken account of within the review of the procedure. It is proposed that a checklist is incorporated in the procedure for hiring managers to ensure that steps are followed in each instance.</i></p> <p><i>Roll out of the procedure will be supported by corporate communications to all managers via the Leadership Forum, and sessions for managers who regularly use agency workers will be held to highlight changes to the procedure and their responsibilities.</i></p> <p><i>An Agency Steering Group will be re-established with managers from People & Citizen Services, Commercial & Procurement and Finance to review the effectiveness of the procedures, monitor spend, compliance with agency spend, and exceptions. As above, a full review of the agency procedure, agency worker request form and authorisation process will be undertaken collaboratively by People & Citizen Services, Commercial & Procurement and Finance with key stakeholders involved as appropriate - including end users with larger spend. The findings and recommendations from this Internal Audit review will be considered and taken account of within the review of the procedure.</i></p> <p><i>It is proposed that a checklist is incorporated in the procedure for hiring managers to ensure that steps are followed in each instance.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Strategic Commercial Manager, Service Lead – People, Deputy Chief Finance Officer	31 December 2026

Ref	Description	Risk Rating	Moderate
1.3	<p>Monitoring of Agency Usage and Spend – The Council spends an average of £2.9m¹ per annum on agency staff. In previous years there has been a focus on off-contract spend, with a view to identifying non-compliance with procurement regulations, and supporting better utilisation of approved framework providers, to reduce risk and improve value for money. Whilst there are indications off-contract spend has reduced, this is no longer actively monitored. Internal Audit was advised that the Establishment Control Board (ECB) monitored on and off-contract spend, however the dashboard provided for review contained no data for 2025/26 (as at September 2025), and ECB action notes indicated no reference to review or actions in respect of agency spend. Commercial and Procurement (CPSS) review the spend periodically but there is no set schedule or reporting route. Individual clusters' monitoring, beyond management of budgets and purchase order values, largely ceased in 2023/24. Without regular monitoring, agency use, and costs could escalate beyond available budgets.</p> <p>Effective monitoring could be challenging due to the availability of quality data. The Transaction Team holds a central record of agency worker requests and usage, as per the agency worker procedure, but this only includes engagements managed by the central team. Individual clusters hold separate records – though these are not fully comprehensive or up to date - not all agency workers were included in the records, and those no longer engaged were not all removed/marked as left.</p> <p>On and off-contract spend monitoring relies on the use of named suppliers, however, spend may still be non-compliant if an 'approved' supplier on one framework supplies services that should come from another. Expenditure on consultants' fees was also found incorrectly coded as agency spend. The Agency Worker procedure (2021) sought to bring in a standard form</p>		

¹ £2.9m average based on invoices paid and recorded as Agency Staff 2021-2025. There was a reducing trend over this period from £3.3m to £2.5m. However, £1.6m has been paid in the first six months of 2025/26. If current year expenditure continues at this level, it could reach over £3m.

Ref	Description	Risk Rating	Moderate
	<p>for managers to use to request and authorise use of agency , and this includes a list of reasons for why cover is required. Across a sample of agency worker engagements, where these forms had been completed, different versions were being used. These included variations in the number and content of reasons included in this list, limiting the ability to aggregate this data effectively for later review.</p> <p>The recorded reasons for engaging agency workers did not always reasonably reflect what was taking place in practice. For example, agency workers were being engaged on a recurring basis to meet 'unexpected critical demand'. There is no evidence of this being scrutinised or challenged, which contrasts with the approach taken by the ECB in respect of vacancies. Agency worker orders can be placed or extended with a single approval from a Chief Officer, and may be delegated. This can lead to orders being placed on a regular basis by a manager, without CO approval, cumulatively in excess of £50k, presenting a risk to compliance with procurement governance requirements. Procurement regulations are also being formally set aside, following Chief Officer consultation with CPSS. There is a risk this could be seen as a shortcut to resolving resource issues, the ability to attract talent, or avoiding adjustments to service standards, each of which could be indicative of underlying issues which should be addressed at a more strategic level.</p> <p>The Using Agency Workers procedures and authorisation form requires the service engaging an agency worker to review options with the Talent Team after eight weeks, with a view to either ending or extending placements after 12 weeks. There is no evidence of monitoring/follow-up, and with limited exceptions (e.g. administrative and professional roles managed more centrally), there is no evidence of this taking place. Agency workers are regularly being engaged for more than 12 weeks, with a number identified as having been in place for over a year (central records (see above re completeness and accuracy) show four 'current' workers with start dates between 2021 and 2024). Extensions are generally approved within the purchasing service, with no further/wider input required.</p> <p>This may be reflective of a reduced requirement for adjustment following a decision that pay parity be paid from day one of an agency engagement (formerly after 12 weeks in line with national Agency Worker Regulations). There are no records to demonstrate whether this is being applied consistently, and there has been no review to determine whether the additional cost incurred is justified by the administration costs avoided, and/or other benefits (e.g. improving the attractiveness of the Council's offer of agency work).</p>		
	IA Recommended Mitigating Actions		
	<p>The Council should standardise processes and data collection to support effective monitoring of agency usage. Agency usage and costs should be tracked and monitored centrally.</p> <p>Strategic resourcing decisions (e.g. recurring agency demand) should be subject to scrutiny at the appropriate level.</p> <p>The Council should review whether the practice of paying the evaluated rate for the job from day one of agency assignment provides value for money.</p>		
	Management Actions to Address Issues/Risks		
	<p><i>Agreed.</i></p> <p><i>As above, the Using Agency Workers Procedure was implemented in 2021, following the last internal audit on agency, and is currently under review.</i></p> <p><i>We have developed an action plan to consider and progress the recommendations and this will include a full review of the agency procedure, agency worker request form and authorisation process which will be undertaken collaboratively by People & Citizen Services, Commercial & Procurement and Finance with key stakeholders involved as appropriate - including end users with larger spend. The findings and recommendations from this Internal Audit review will be considered and taken account of within the review of the procedure. It is</i></p>		

Ref	Description	Risk Rating	Moderate
	<p><i>proposed that a checklist is incorporated in the procedure for hiring managers to ensure that steps are followed in each instance.</i></p> <p><i>An Agency Steering Group will be re-established established with managers from People & Citizen Services, Commercial & Procurement and Finance to review the effectiveness of the procedures, monitor spend, compliance with agency spend, and exceptions with recurring agency usage escalated to the Establishment Control Board.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Strategic Commercial Manager, Service Lead – People, Deputy Chief Finance Officer	31 December 2026

Ref	Description	Risk Rating	Major
1.4	<p>Purchase Ordering and Payment Controls – The Council’s Financial Regulations require formal purchase orders (POs) to be issued before goods or services are obtained. Although an exception exists for agency usage—supported by authorisation and order forms that set out rates, cost estimates and required approvals—these forms do not enable payment through the financial system. As a result, POs continue to be used for agency engagements, but the timing and method of their creation varies across services.</p> <p>For recurring agency requirements, some services estimate annual needs in advance and use a single authorisation form to cover multiple posts. Examples include an annual rolling requirement for up to 36 craft workers (estimated £1.2m) and agency staff within Waste and Environment (eight drivers and seven others valued at £450k and £331k, each split across two six-month periods). Because hours, rates and placement lengths are not set upfront, POs are often initially raised for nominal amounts (e.g. £1) and later adjusted. While this approach enables work orders and budget management, it offers limited visibility of expected costs and can result in repeated extensions. In one case within Roads (£19k), the initial authorisation dated 2018 continued to be extended up to 2025, indicating limited periodic review of alternative options.</p> <p>For one-off agency engagements, authorisation forms and POs are generally completed for the maximum anticipated 12-week period in line with procedures. Extensions are supported by updated approvals. However, not all POs are approved before the period of work begins (in two of five sampled cases, 15 of 18 POs were retrospective). In some areas, recurring engagements have been treated as separate pieces of work rather than aggregated, despite involving the same workers or services (e.g. Estates £86k, Social Care £83k). This may not fully demonstrate compliance with procurement governance requirements. One case included a 3.10 Memo confirming that procurement rules had been formally set aside; similar documentation was not always evident elsewhere.</p> <p>Payment rates are expected to reflect Council pay plus on-costs in line with framework agreements, but responsibilities for maintaining up-to-date rates are not clearly assigned. Rate information is held across several locations—framework documents, cluster-specific rate cards and email correspondence—rather than in a central record. Authorisation forms covering multiple roles often use average rates, and POs are raised for total values rather than hours at specified rates. As rates and placement durations are not always formally agreed at the point of ordering, there is reduced assurance should errors or disputes occur.</p> <p>Timesheet and receipting practices differ across services. For recurring agency work, hours are recorded locally and added to service spreadsheets, which the agencies then verify against invoices. While most documentation is retained, some gaps exist (e.g. four of 21</p>		

Ref	Description	Risk Rating	Major
	<p>timesheets missing, others unsigned or not clearly checked). Supplier-provided timesheets are not consistently used for matching, with five of 21 missing and others incomplete. In some cases, timesheets are submitted before the week ends to meet agency deadlines, which could increase the chance of pre-approved but unworked hours being paid. For one-off agency use, reliance on agency timesheets is greater, though pre-agreed rates generally offer stronger assurance.</p> <p>Overall, the extent of variability in purchase ordering, documentation and rate/ timesheet oversight indicates a requirement to strengthen consistency and compliance with financial and procurement regulations. While alternative controls exist and enable services to manage agency usage, greater standardisation and clearer documentation is needed to provide assurance and reduce exposure to avoidable process risks.</p>		
	IA Recommended Mitigating Actions		
	<p>The Council should develop and apply controls to ensure agency spend is subject to advance approvals and purchase orders, with centrally defined maximum limits in terms of costs and duration.</p> <p>Recurring requirements must be subject to regular review and, where appropriate, aggregated to determine the correct procurement governance route. For both recurring and ad-hoc requirements, a Purchase Order must be raised in advance for each defined engagement or assignment. Each Purchase Order must specify the agreed rates and duration. This requirement applies to the engagement as a whole and does not necessitate separate Purchase Orders or processes for each individual supplied by an agency.</p> <p>Confirmation that bids/acceptance for work are at the Council's approved rates should form part of the documented ordering process and communication with the supplier for each engagement.</p> <p>Payments should not be processed before hours physically worked, and the correct rates for each placement, have been confirmed by the cluster engaging each agency worker. This should include a full three-way match between order, timesheet(s) and purchase order.</p>		
	Management Actions to Address Issues/Risks		
	<p><i>Agreed.</i></p> <p><i>As above, the Using Agency Workers Procedure was implemented in 2021, following the last internal audit on agency, and is currently under review.</i></p> <p><i>We have developed an action plan to consider and progress the recommendations and this will include a full review of the agency procedure, agency worker request form, ordering and authorisation process which will be undertaken collaboratively by People & Citizen Services, Commercial & Procurement and Finance with key stakeholders involved as appropriate - including end users with larger spend. The findings and recommendations from this Internal Audit review will be considered and taken account of within the review of the procedure. It is proposed that a checklist is incorporated in the procedure for hiring managers to ensure that steps are followed in each instance.</i></p> <p><i>The process for purchase orders to be considered as part of the above although, it may not be practicable to have individual PO's raised for each agency appointment due , invoicing and authorisation implications however the process will be reviewed to ensure that the appointment of each agency worker and rate agreed is easily identified and confirmed with the supplier.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Strategic Commercial Manager, Service Lead –	31 December 2026

Ref	Description	Risk Rating	Major
	People, Deputy Chief Finance Officer		

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk Level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the function level and the potential to impact across a range of clusters. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts at the Business Plan level (i.e. individual services or departments as a whole). Mitigating actions should be implemented by the responsible Chief Officers.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.

Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

5 Appendix 2 – Assurance Scope and Terms of Reference

5.1 Area subject to review

The Council has adopted national framework agreements for acquiring agency staff. The frameworks are made up of multiple suppliers offering a variety of different skilled workers when this is required to fulfil resource requirements e.g. due to unexpected shortfall of staffing levels or temporary increased workload.

Within the Corporate Services function the clusters of Commercial and Procurement Shared Services, People & Citizen Services, and Finance all provide governance, advisory and operational support to recruiting functions/ clusters in relation to the engagement and management of agency workers. Day to day management of agency work and identification of requirements is undertaken by individual services.

Starting from their first day of work the Agency Workers Regulations 2010 mandates assigned agency workers be treated no less favourably than staff that have been directly recruited into a contracted post through the recruitment and selection process.

Following completion of a 12-week qualifying period agency workers are entitled to the equal basic employment and working conditions to the staff who have been recruited directly for the comparable post i.e. same level of pay and allowances, where applicable. Monitoring processes ensure compliance with internal regulations and the Agency Workers Regulation 2010.

During 2024/25, the total spend recorded as Agency Expenditure for all services was £2,571,112.76 with 48.7% being with the Families and Communities Function.

5.2 Rationale for review

The objective of this audit is to ensure that appointments are made from appropriately tendered contracts and that individual appointments are adequately managed.

The requirement for agency staff may be unavoidable where there is an urgent need to meet demand, however it can result in additional cost. There are also risks in respect of procurement compliance, and the additional complexity of managing, co-ordinating, and ensuring the accuracy of payments made for, staff not directly employed by the Council.

The last audit of this area, AC1712, was concluded in February 2017. The main findings were:

- Over 40% of agency worker spend was placed with suppliers not on the procurement framework for agency workers.
- The terms of the Framework Agreement were not adhered to, with agency suppliers being approached out with the ranked order process.
- The guidance around when it is acceptable to use agency staff was open to interpretation and procedures were lacking instruction on the processing of agency worker timesheets. Agency workers were being engaged without approved authorisation, inductions were not being carried out, and engagement periods exceeded the maximum 12-week qualifying period. Corporate recruitment procedures were being circumvented with agency suppliers being used to recruit permanent staff.
- Breaches of Financial Regulations were identified with rates of pay being applied which were over and above the agreed contract rates and invoices had no supporting purchase orders.

The current audit will seek assurance these points have been addressed, and that control systems and processes are operating effectively to address the relevant risks.

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Function** level.

-
- Individual **net risk** ratings for findings.

5.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered by this review are:

- Procedures
- Contracts
- Engagement of agency workers
- Monitoring of agency workers
- Payment processing

5.4 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, guidance.

This review will also encompass an evaluation of the governance, risk management and controls in place to achieve Best Value and to detect, prevent, and mitigate instances of fraud.

Due to hybrid working across the Council, this review will be undertaken primarily remotely.

5.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.7 below)
 - Audit Committee (final only)
 - External Audit (final only)

5.6 IA staff

The IA staff assigned to this review are:

- Debbie Steele, Auditor (**audit lead**)
- Colin Harvey, Audit Team Manager
- Jamie Dale, Chief Internal Auditor (**oversight only**)

5.7 Council key contacts

The key contacts for this review across the Council are:

- Andy MacDonald, Executive Director – Corporate Services
- Isla Newcombe, Chief Officer – People & Citizen Services
- Craig Innes, Chief Officer – Commercial & Procurement Services
- Jonathan Belford, Chief Officer – Finance
- Lesley Strachan, Service Lead – People & Citizen Services (**process owner**)
- Mel Mackenzie, Strategic Commercial Manager – Commercial & Procurement Services
- Bernadette Bularan, Deputy Chief Finance Officer

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	17-Jul-2025
Scope agreed	24-Jul-2025
Fieldwork commences	4-Aug-2025
Fieldwork completed	29-Aug-2025
Draft report issued	26-Sep-2025
Process owner response	17-Oct-2025
Director response	24-Oct-2025
Final report issued	31-Oct-2025

6 Appendix 3 – Variations and Issues

6.1 Variations between Cluster approaches

Area	Building Services	Waste	Environment	One off Agency Worker Appointments
Service procedures	Flowchart	None	None	N/A
Review of alternative options	Weekly meetings with contract managers	No regular meetings for this purpose	No regular meetings for this purpose	Unknown
Prior liaison with Talent Team	No	No	No	Varies
Prior liaison with Transactions Team	Yes	No	No	Yes
Initial liaison with Agency suppliers	Agency support	Service	Service	Agency support
Suppliers approached in ranked order	All approached at the same time by email	Verbal communication – Not evidenced	All suppliers not approached	All approached at the same time by email
Suppliers selected in framework ranked order	Not listed or selected in order – Dependent on response time	Not evidenced.	Not evidenced - Not all suppliers approached.	Yes
Contract management	Nominated contract manager within Service – Annual meetings with suppliers.	Nominated contract manager within Service	None	CPSS
Authorisation forms - content	Various roles	Various roles	Various roles	Individual roles

Area	Building Services	Waste	Environment	One off Agency Worker Appointments
	(Up to 36, £1.2m)	(Up to 8, £450k)	(Up to 7, £330k)	
Authorisation forms - period	1 year	6 months	6 months	12-16 weeks
Purchase order forms - approvals	Chief Officer	Manager	Chief Officer	Varies
Purchase order – in advance	1 of 2 (50%)	2 of 4 (50%)	1 of 2 (50%)	3 of 5 (60%)
Hiring Manager Authorisation records	Process and records in place, but approval records vary	No records kept	No records kept	Yes
Rates approved in advance	Evidenced in 1 of 4 cases (25%). The cluster compiles its own rate cards.	No. CHI admin held copies of some Agency rates.	No. CHI admin held copies of some Agency rates.	Evidenced in 3 of 5 cases (60%). Framework order form used as a record of the agreed rates. No breakdown of rate.
Communication with Agencies re engagement	Via Agency Support	Direct with Agencies	Direct with Agencies	Via Agency Support
IR35 status check	Not completed	Not completed	Not completed	Not completed
Induction training	Cluster-specific presentation	Cluster-specific training matrix	No records	No records
Induction records	12 of 13 cases (92%)	4 of 7 cases (57%)	No records	No records
Covers Mandatory training	No	Partial (Prevent and Fraud)	No records	No records

Area	Building Services	Waste	Environment	One off Agency Worker Appointments
Review with Talent Team after 8 weeks / end or extend within 12 weeks	No	No	No	No
Record of current AW	Yes – Service specific. Included leavers.	Yes – Service specific. Not up to date.	Yes – Service specific. Not up to date.	Yes – Central record. Not up to date.
Monitoring of parity	Not completed	Not completed	Not completed	Not completed