

ISLE OF ANGLESEY COUNTY COUNCIL

COMMITTEE:	AUDIT COMMITTEE
DATE:	22 JULY 2014
TITLE OF REPORT:	AGENCY WORKERS - REVIEW OF ARRANGEMNTS
PURPOSE OF REPORT:	FOR INFORMATION
REPORT BY:	AUDIT MANAGER
ACTION:	N/A

1. INTRODUCTION

- 1.1 A review of the procurement and use of Agency staff was undertaken at the request of the Audit Committee. The Audit Committee held on 04 February 2014 resolved that: *the Audit Manager to provide the Committee with an analysis of the number of agency / contract / self-employed staff engaged by the Council, the reasons for the engagement and costs thereof along with alternative approaches as taken by other organisations / bodies.*
- 1.2 The review was undertaken based on the coded amounts shown on the ledger relating to such staff for 2013-14 and on the records of such staff held within Services.
- 1.3 Since 10 March 2014 the Council has commissioned Matrix SCM to support the procurement of agency workers' services. Matrix SCM is a procurement services company, with over seven years' experience in public sector procurement of such staff.

2. SCOPE

- 2.1 The review was limited to the agency costs as recorded on detail code A0500 on the Council's ledger for 2013-14 (includes agency staff, contractors and self-employed staff). The review aimed to assess the extent of the use of agency staff, contractors and self-employed staff the reasons for their use and the costs of use.

The review considered the Services' compliance with existing policy in this area including Services level records and monitoring of the use of such staff.

The review also included the arrangements for the use of Matrix SCM for the procurement of agency staff within the Council.

Our work does not provide any guarantee against material error, loss or fraud

or provide an absolute assurance that material errors or fraud do not exist.

3. BACKGROUND

3.1 **Policy and Regulation** – The Isle of Anglesey County Council Agency Workers Policy (dated August 2011 and updated March 2014 and June 2014) was found to be published on the Council's Intranet website "MONITOR" and therefore available to all staff with intranet access. However enquiries made with staff involved in the procurement process for agency workers' services show that relevant staff were not aware of the existence of the Council's policy on Agency Workers.

3.2 **Costs on ledger** – The total expenditure on Agency staff for the financial year 2013/2014 as shown on the financial ledger detail code A0500 was £1,023,398. Analysis and breakdown of expenditure per section / service is as follows:-

- Sustainable Development - £281,722
- ICT - 19,503
- Finance - £383,931
- Job Evaluation - £43,511
- Personnel - £735
- Corporate Projects & Information - £12,522
- Talnet - £372
- Social Services - £239,282
- Transition Key Working - £7,273
- Estate Management - £34,547.

During discussions with staff and examination of invoices paid it appears that in some instances that some costs have been charged against the Agency Staff ledger code A0500 in error. Consequently the Auditor cannot give categorical assurance that the figures extracted from the financial ledger and quoted above can be relied upon to determine the accuracy of agency staff costs. In the Auditor's opinion it would be more appropriate for the costs identified as incorrectly coded to be allocated to the Consultancy ledger code D0423.

3.3 **Consultancy** - The total expenditure on Consultancies for the financial year 2013/2014 as shown on the financial ledger detail code DO423 was £3,866,759. Analysis and breakdown of expenditure per section / service is as follows:-

- Lifelong Learning - £1,485,871
- Sustainable Development - £1,323,757
- Resources - £147,089
- Chief Executive - £461,993
- Community - £165,663

- Housing - £282,386.

Costs relating to contractors and self-employed staff engaged by the Council (because of the diverse nature of services that they provide) are not designated to any specific code within the financial ledger, consequently it is not possible to provide meaningful statistical information in relation to expenditure.

4 REVIEW CONCLUSIONS

In order to determine the level of awareness of Policy and compliance with the internal controls contained within it we visited a number of Services shown on the ledger to be using agency staff. The following are the main findings from the review.

- 4.1 Relevant staff are not aware of the existence of the IOACC Agency Workers Policy and are therefore not complying with it.
- 4.2 Agency staff costs shown on the Council's general ledger are not entirely reliable for reporting purposes as they include other types of worker / services (i.e. consultancy).
- 4.3 Service records of agency staff are not maintained within all Services or are not maintained to an adequate standard to allow for accurate analysis of the full use and cost of agency staff within the Council and why they have been employed, at what rates, or for how long.
- 4.4 Monitoring of the duration of contracts within Services was found to be inadequate and implications of the Agency Workers Regulations 2010 were not being taken into account. This increases the risk that such staff continue to be employed when the operational need for their employment has ceased or where the employment of full time staff would be more appropriate.
- 4.5 The use of a sample of agency workers found that they had not been procured in accordance with IOACC Agency Workers Policy in that alternatives to their procurement had not been discussed with the relevant Human Resources Officer prior to appointment. Following the updating of the policy in June 2014, services are now also required to complete Appendix 1 - REASON FOR HIRING AN AGENCY WORKER and return it to HR before agency workers are hired in confirmation that other possible solutions have been considered.
- 4.6 Services had not complied in all cases with Contract Procedure Rules when hiring agency workers.
- 4.7 The Matrix SCM procurement service cannot in some cases provide agency workers with the necessary competencies to fulfil required duties. This has resulted in a number of agency staff being procured through alternative means since March 2014.
- 4.8 The internal control and management of the procurement of agency, contract, self-employed and consultancy staff has been devolved to Services away from Human Resources at the centre. In practice this has led to widespread ignorance of corporate policy and to widespread non-compliance with a corporate policy designed to ensure that agency, contract, self-employed and consultancy staff are only employed where all other options have been

explored and that all such contracts are regularly and closely monitored to ensure that they continue to be relevant and that the Council continues to benefit from these arrangements.

5 RECOMMENDATIONS AND ACTION PLAN

Ref	Recommendations	Category	Management Response	By Whom and When
5.1 (a)	Staff involved in the procurement of agency workers' services should be made aware of The Council's policy on Agency Workers.	High	Heads of Service to be asked to bring the Policy to the attention of relevant staff in their Service.	Audit Manager via Heads of Service meeting and email. 31 July 2014
5.1 (b)	Staff should be required to confirm by signature that they have read, understood and agreed to abide by the Policy	Medium	Heads of Service to be reminded of need to maintain records of employees' declaration of having read, understood and agreed to abide by.	Audit Manager via Heads of Service meeting and email. 31 July 2014
5.2	Services should be required to list all their current agency, contract, self-employed and consultancy staff with details of the nature of work, supplying agency, why required, start date, end date, rate of pay and projected costs etc.	High	Heads of Service to be requested to instruct relevant employees to maintain adequately detailed records of all agency staff, self employed and contractors within their Service.	Audit Manager via Heads of Service meeting and email. 31 July 2014
5.3	Services should be required to review all their current agency, contract, self-employed and consultancy staff to ensure that they are still required.	High	Heads of Service to be requested to require that relevant employees review all agency, contract, self-employed and consultancy staff contracts to ensure that all are still required on an ongoing basis.	Audit Manager via Heads of Service meeting and email. 31 July 2014
5.4	Agency staff and consultancy staff costs should be correctly code in the financial ledger to ensure integrity of the financial ledger and data reported.	Medium	Heads of Service to be requested to require that relevant employees review the coding of all agency, contract, self-employed and consultancy staff to ensure that expenditure is correctly shown on the relevant budget line. Accountancy Manager to be requested to request that Service Accountants review any pre coded CIVICA references for codes relating to agency, contract, self-employed and consultancy staff.	Audit Manager via Heads of Service meeting and email. 31 July 2014
5.5	Agency worker placements should be monitored and also reviewed after a period of 10 weeks in compliance with the Council's Agency Workers Policy and to take account of the	Medium	Heads of Service to be requested to instruct relevant employees to monitor and review all arrangements for agency, contract, self-employed and consultancy staff after a period of 10 weeks in compliance with the Council's Agency Workers Policy and to take	Audit Manager via Heads of Service meeting and email.

Ref	Recommendations	Category	Management Response	By Whom and When
	Agency Workers Regulations 2010.		account of the Agency Workers Regulations 2010.	31 July 2014
5.6	<p>Any new use of agency workers should be in accordance with IOACC Agency Workers Policy and alternatives to use to be discussed with HR Officers.</p> <p>The revised Agency Workers Policy now requires that Appendix 1 – REASON FOR HIRING AN AGENCY WORKER should be completed by Services and returned to HR prior to any agency workers being hire.</p>	Medium	Heads of Service to be requested to instruct relevant employees to comply with the revised Agency Workers Policy in terms of the requirement to complete the form at Appendix A and forward it to HR prior to employing any agency, contract, self-employed and consultancy staff.	<p>Audit Manager via Heads of Service meeting and email.</p> <p>31 July 2014</p>
5.7	Procurement of agency workers should be subject to the Council's Contract Procedure Rules when not undertaken via Matrix SCM.	Medium	Heads of Service to be requested to remind relevant employees of the need to comply with the Council's Contract Procedure Rules when undertaking any procurement activity including those related to the employment of any agency, contract, self-employed and consultancy staff.	<p>Audit Manager via Heads of Service meeting and email.</p> <p>31 July 2014</p>
5.8	Considering the widespread ignorance of, and non – compliance with corporate policy senior management should review whether the internal control and management of the procurement of agency, contract, self-employed and consultancy staff should remain with individual Services or be returned to the corporate centre.	High	Audit Manager to present this report to the Senior Leadership Team including considerations concerning the return of the internal control and management of such procurement back to the corporate centre.	<p>Audit Manager via Senior Leadership Team.</p> <p>31 July 2014</p>

_____END OF REPORT_____