



Essential Reference Paper B"

## Internal Audit Report

# East Herts Council – Agency Staffing

**December 2018**

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**Report Status:** Final

**Reference:** E211/18/001

**Overall  
Assurance:** Satisfactory

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## 1. EXECUTIVE SUMMARY

### Introduction

- 1.1 Internal Audit provides East Herts Council ('the Council') with an independent and objective opinion on the organisation's governance arrangements, encompassing internal control and risk management, by completing an annual risk-based Internal Audit Plan. This audit forms part of the Council's approved 2018/19 Internal Audit Plan.
- 1.2 The purpose of this audit is to provide assurance relating to the governance and financial management arrangements that are in place for the use of agency staff. Audit testing was prioritised towards longer term engagements and those service areas which were incurring the highest spend.
- 1.3 Agency staff were typically engaged to cover vacancies / absences or to provide additional capacity and / or specialist expertise where a service areas workload required it. The total Council spend for agency staff in 2017/18 was £1.03m. This was an increase of £376,000 on the Council's spend for agency staff in 2016/17.

### Overall Audit Opinion

- 1.4 Agency staff at the Council are hired at the discretion of the team and service managers, with oversight from the Leadership Team when new roles are required. This flexible approach allows managers to hire a range of staff from general administration roles to more specialised professionals as necessary, with no fixed recommendation to use certain agencies.
- 1.5 As agency recruitment is largely outside of HRs control, managers must update HR with information of all agency staff, including their contract period and any possible extensions. However, this is not monitored for compliance and HR must be notified for their overview spreadsheet to be updated.
- 1.6 According to UK law, after 12 weeks of employment any benefits that apply to permanent staff also apply to agency staff. This includes the right to equal pay, automatic pension enrolment and paid annual leave. However, as there is no consistent oversight from HR this appears to have been overlooked, with no significant change taking place at the 12 week threshold. Managers also did not appear to have any awareness of the 12 week rule.
- 1.7 In addition, there were reportedly 5 agency staff workers who had been in post for over a year, with no change to their contract.
- 1.8 Based on the work performed during this audit, we can provide overall **satisfactory assurance** that there are effective controls in operation for those elements of the risk management processes covered by this review. These are detailed in the Assurance by Risk Area Table in section 2 below.
- 1.9 For definitions of our assurance levels, please see Appendix B.

**Summary of Recommendations**

- 1.10 We have made two recommendations to improve the control environment. One is classified medium priority and other as low/advisory priority. The medium priority recommendation relates to the monitoring of agency staff to ensure that the Council meets their rights at the 12 week threshold.
- 1.11 Please see Management Action Plan at Appendix A for further detail.

**Annual Governance Statement**

- 1.12 This report provides satisfactory levels of assurance to support the Annual Governance Statement.

**2. ASSURANCE BY RISK AREA**

2.1 Our specific objectives in undertaking this work, as per the Terms of Reference, were to provide the Council with assurance on the adequacy and effectiveness of internal controls, processes and records in place to mitigate risks in the following areas:

Risk Area	No	Limited	Satisfactory	Good
<b>Governance</b> – Appropriate policies and procedures are in place, they are up to date and being adhered to. The use of agency staff is part of an approved workforce strategy and only appropriate / approved agencies are being used.				
<b>Appointments</b> – The use of agency staff is subject to an appropriate and proportionate business case, including consideration of any alternative arrangements and whether the use of agency staff provides value for money. It is also subject to approval in line with delegated authority.				
<b>Monitoring and Review</b> – The need for agency staff is subject to periodic review and monitoring to confirm ongoing appropriateness and compliance with policies, procedures and applicable employment law and practices.				
<b>Overall</b>				





2.2 See definitions for the above assurance levels at Appendix B.

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
1.	<p><b>Monitoring and Review</b></p> <p>While HR do hold an overview spreadsheet of agency staff currently employed by the Council, this is not actively monitored and there does not appear to be an acknowledgement of the '12 week rule'.</p> <p><u>Associated Risk</u></p> <p>1. Ineffective monitoring of use of agency staff takes place, potentially resulting in extensive use of agency staff when alternative and possibly cheaper method could be found  2. Regular reviews of agency staff arrangements do not take place, potentially leading to prolonged use and a lack of consideration of alternative arrangements.  3. Failure to monitor may result in agency workers having the same rights as permanent employees, potentially failing to achieve value for money.</p>	Medium	<p>We recommend HR take a more active role in monitoring agency staff, taking into account the following considerations:</p> <ul style="list-style-type: none"> <li>• Staying up to date with agency staff details with regular correspondence to management.</li> <li>• At 12 weeks of employment, ensure that the Council are meeting the needs of the agency staff that should now be treated equally with permanent employees.</li> <li>• Ensure there is good value for money where agency staff are kept on for extended periods of time and could potentially be made permanent employees.</li> </ul>	<p><b>Responsible Officer:</b> Head of HR &amp; OD.</p> <p><b>Agreed Action:</b> As recommended.</p>	March/April 2019
2.	<p><b>Agency Staff Renewal</b></p> <p>When an agency worker's contract is</p>	Low / Advisory	As above. It is recommended that HR take a more active role in monitoring agency staff,	<p><b>Responsible Officer:</b> Head of HR &amp; OD.</p>	March/April 2019

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
	<p>up, it is up to team managers to decide if they would like to renew this. In one instance, the agency staff have remained on a contract for 1-2 years without being made permanent.</p> <p><u>Associated Risk</u></p> <p>Lack of notification or approval for the extended use of agency staff, potentially resulting in continued payment at higher rates of pay.</p>		<p>particularly at the end of their contract. If the agency workers are required to continue, consideration should be given to making them permanent members of staff for increased value for money.</p>	<p><b>Agreed Action:</b></p> <p>As recommended.</p>	

## Appendix B - Definitions of Assurance and Finding Priorities

Assurance Level	Definition
Good	The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings.
Satisfactory	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
Limited	The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved.
No	The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.

Priority Level			Definition
Corporate	Critical		Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	High		Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium		Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low / Advisory		Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.