

Internal Audit Report

Temporary and Interim Workforce

May 2018

To: Deputy Chief Executive

Copied to: HR Strategic Lead
LBB HR
Head of Finance
Commercial Director
Strategic Lead, Commercial
Operations Director, CSG
Head of Procurement, CSG
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Procurement Contract Manager, CSG
Human Resources Business Partner, CSG
Business Manager, HR Solutions, CSG
Street Scene Director

From: Head of Internal Audit

We would like to thank management and staff of HR and Procurement for their time and co-operation during the course of the internal audit.

Executive Summary

Assurance level	Number of recommendations by risk category				
No Assurance	Critical	High	Medium	Low	Advisory
	-	5	5	4	1
Scope					
<p>On 1 October 2016 the Council awarded a two year contract for the provision of all of its temporary and interim staff to the incumbent supplier. The supplier is a neutral vendor managing a supply chain of agencies to fill temporary and interim vacancies. The supplier manages the relationships with the agencies in its supply chain as well as providing quality assurance over their compliance with core requirements around the vetting and screening of agency staff.</p> <p>This multi-million pound contract was negotiated and is managed on behalf of the Council by the Procurement team within CSG and a gain share agreement is in place for any savings which are made through renegotiating this contract. Performance monitoring is carried out by both Procurement and HR.</p> <p>This audit looked at the administration and operation of the temporary labour agency contract and the process for requesting agency staff. It also revisited a relevant audit recommendation from a review of People Management which took place in June 2015.</p>					
Summary of findings					
<p>Significant issues were found in the design and operation of controls around contract monitoring and the process for requesting agency staff which may significantly reduce the Council's ability to monitor the contract in a way which will allow targeted interventions to reduce overall agency staffing spend. Issues were noted with systems in place for requesting agency staff which may mean that statutory compliance around DBS checks is not sufficiently monitored and that staff can be requested by people who do not have authority over the relevant cost codes.</p> <p>We also noted that the management of the Agency staff contract sits with both Procurement and HR. Based on our findings, there are indications that this arrangement means that the contract management process is unclear and doesn't facilitate and support workforce planning and management at an operational level.</p> <p>This audit has identified five high risk findings, five medium risk findings, four low risk findings and one advisory finding, which are set out below by area:</p> <ul style="list-style-type: none"> • <u>Performance monitoring – control design</u> <ul style="list-style-type: none"> - Roles and responsibilities for monitoring the performance of the temporary agency staff supply contract were unclear (finding 1, high risk). - Contractually required performance information (see Appendix 1) was not provided in full by the supplier to the Council (finding 1, high risk). 					

- Management information around assignment length contains discrepancies which mean that it cannot be used to target interventions (finding 2, high risk).
- There are controls operating to review the DBS status of staff who have access to vulnerable residents or client groups, however these controls are not documented and the reviews carried out do not have clear sampling and testing parameters or escalation routes for any issues identified (finding 3, high risk).
- The temporary agency staff supply contract is not published on Open Barnet, which is not in line with the Council's Transparency Policy (finding 12, low risk).

- **Performance monitoring – control operating effectiveness**

- Quarterly Business Reviews provided by the supplier were not consistently comparable from quarter to quarter and did not clearly state what period they covered (finding 1, high risk).
- There were differences between contract terms in the main body of the temporary agency staff supply contract and within the Service Level Agreement (finding 12, low risk).
- Assignment length was not appropriately limited for new assignments on the supplier's proprietary system for ordering, approving, selecting and time sheeting temporary workers and contractors, and extensions were not signed off in line with the agreed workflow for approvals (finding 2, high risk).
- Six-monthly supplier compliance audits were not carried out by the supplier, despite being required by the contract (finding 4, high risk).
- DBS clearance was not consistently included as a requirement in role profiles for roles which would include access to vulnerable residents and user groups. Clearance details were not consistently held within the agency staff system for individuals employed in such roles (finding 3, high risk).
- There has been no re-baselining of costs or savings since the beginning of the temporary agency staff supply contract – this should be an annual process (finding 5, high risk).
- Minor errors have been noted in the supplier's gain share since the inception of the contract (finding 7, medium risk).
- Quarterly contract monitoring meetings do not have records of agreed actions or formal minutes (finding 13, low risk)

- **Agency staff request process – control design**

- There are no agreed policies or procedures in place over the hiring of agency or interim staff (finding 2, high risk).
- There is no detective control in place to target interventions relating to off-contract arrangements where agency staff have been directly procured by managers from agencies (finding 11, low risk).
- The vacancy number field in the agency staff system does not verify whether the number input by the requester is a valid establishment vacancy reference number. As a result, vacancies can be created which aren't agreed establishment vacancies (finding 8, medium risk).
- The contract states that all orders should be approved by HR but this is not built into the workflow for new assignments (finding 9, medium risk).

- There is no expenses cap in place at the Council and there is no guidance in place around expenses for agency staff (finding 9, medium risk).
- No process notes are in place for the invoice checking process carried out by CSG, and no central record is maintained of the queries raised around potential discrepancies identified (finding 14, low risk).

- **Agency staff request process – control operating effectiveness**

- One member of agency staff in our sample of 20 had a timesheet signed off by someone with no links to the relevant cost code for the job. A listing of approval rights within the agency staff system included active accounts for staff who no longer work for the Council, which would allow them to approve assignments through the agency staff system web portal. Some members of current staff who had access to cost codes from service areas that they no longer worked in (finding 6, medium risk).
- Evidence of manager approval of new staffing requests was not consistently retained. No vacancies sampled had a valid vacancy number within the agency staff system (the agency staffing portal) so it was not possible to tell whether they related to an approved establishment vacancy (finding 8, medium risk).

Additionally, a follow-up of prior audit recommendations was carried out:

- **Follow up of prior audit recommendations (Appendix 2)**

- None of the recommendations from the June 2015 audit relating to the temporary agency staff supply contract had been implemented.

2. Findings, Recommendations and Action Plan

Ref	Finding	Risks	Risk category	Agreed action(s)
1	<p><u>Performance information and roles & responsibilities (control design and operating effectiveness)</u></p> <p>Schedule 7 to the customer agreement summarises the minimum performance information which must be submitted to the Council on a quarterly basis by the supplier. We compared this summary to the Quarterly Business Review (QBR) provided by the supplier and noted that some elements of the contractually required monitoring information are not included within the QBR or the additional data provided to support the QBR. While some of the missing information can be obtained by analysing the breakdown of costs provided by the supplier to support invoicing, some of the required monitoring information isn't provided in any form by the supplier to the council. See Appendix 1 for a detailed comparison of Schedule 7 to the reporting provided by the supplier.</p> <p>We reviewed the three most recent QBRs. A system update from the old agency staff system to the new agency staff system meant that data reported on in the most recent quarter (Q3 of 17/18) only dates from 19 September 2017 and cumulative data hasn't been presented. This reduces the comparability of reporting to prior quarters. This change has not been consistently flagged in the wording of the report.</p> <p>The "client charge" noted within the QBR in sections 2.2 and 2.3 is not the same as within section 2.4. This variance is significant in every quarter we have reviewed, however CSG management were not able to explain the variance, indicating that this had not been identified as a discrepancy and queried with the supplier in the course of contract monitoring. An explanation was provided by the supplier, which stated that the difference was the rebate amount for each quarter, however this did not fully explain the discrepancy.</p>	<p>If performance monitoring processes are not clear, with defined performance indicators and embedded quality assurance, then the Council may not provide appropriate challenge and the supplier may not meet the standards for the system set out in the contract.</p>	<p>High</p>	<p>1) <i>LBB HR, CSG HR and CSG Procurement will agree a RACI matrix to support the management of the agency staff contract being tendered during 2018.</i></p> <p>Responsible officer(s): Strategic HR Lead</p> <p>Target date: 30 November 2018</p> <p>2) <i>LBB HR, CSG HR and CSG Procurement Management will, working together, assess what performance information is necessary to fully monitor the agency contract and support agency spend reduction measures. This review will be used as the basis for defining performance reporting requirements for the new agency staff contract which commences 1 October 2018.</i></p> <p>Responsible officer(s): Strategic HR Lead; Business Partner, CSG; Procurement Lead and Procurement Contract Manager, CSG</p> <p>Target date:</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
	<p>The roles and responsibilities are not clearly documented for the management of the temporary agency staff supply contract. To ensure that in future the contract is appropriately managed, a RACI matrix ('Responsible – Accountable – Consulted – Informed') needs to be developed and the responsibilities of respective staff should be communicated to them.</p>			31 October 2018
2	<p><u>Performance monitoring - assignment extension monitoring and assignment length (control design)</u></p> <p>A workflow is in place which describes the levels of approval required for assignment extensions. We tested a sample of 20 individuals within Streetscene. Of these, 18 had had their assignments extended beyond the initial assignment length. We looked at the records of approvals within the workflow inbox and requested supporting evidence from the supplier for the most recent assignment extensions for these individuals (all dating from after September 2017) and were not able to verify that the required permissions had been obtained for these extensions in line with the agreed workflow for extension approvals for 17 of the 18 extensions (94%). Six of these did not have the appropriate AD/Director approval, one did not have either AD or HR approval, eight did not have HR approval and we were unable to find any evidence at all for the remaining two approvals.</p> <p>We tested a sample of five new starters within Streetscene, and identified that the initial assignment request exceeded the 11-week limit for agency assignments for four of the five individuals (80%), which indicates that the controls in place around this limit within the agency staff system are circumventable. In the case of all of these individuals, the assignment was initially raised through the supplier's helpdesk.</p> <p>We queried the presentation of the information relating to booking length within the QBR, as the graph provided which</p>	<p>If the Council does not have an overview of the length of service of agency staff, there is a risk of financial loss to the Council where a permanent post would be more appropriate, or where agency staff gain additional employment rights through length of service.</p>	High	<p>1) <i>The Council will create a policy on temporary workers, which will include limits on initial assignment length and a workflow for assignment approvals and extension approvals to ensure that inappropriate assignments and extensions can be challenged in a timely manner.</i></p> <p>Responsible officer: Strategic HR Lead</p> <p>Target date: 31 October 2018</p> <p>2) <i>CSG HR will work with management to implement a workflow process within the agency supplier system and ensure that it is not possible to circumvent this process through use of the supplier's helpdesk to raise assignment or extension requests without appropriate approvals. For example, by requiring, where there are emergency assignments raised,</i></p>

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	<p>shows the duration of assignments does not align with the numbers in the table below. Management were not able to explain the discrepancies within this information and had not queried these with the supplier. Per discussion with management, the information provided in the quarterly monitoring document is not directly used to target interventions with service areas which regularly request inappropriate extensions.</p> <p>There are no agreed policies or procedures in place over the hiring of agency or interim staff which in our view is the root cause of the issues identified.</p>			<p><i>formal retrospective approval within the system within 24 hours.</i></p> <p>Responsible officer(s): Strategic HR Lead; HR Business Partner, CSG</p> <p>Target date: 31 October 2018</p> <p>3) <i>The policy and its requirements, along with details of any amended workflows within the agency supplier system, will be clearly documented in process notes and an end-to-end process map.</i></p> <p>Responsible officer: Strategic HR Lead; HR Business Partner, CSG; Working with the new provider who will document the process.</p> <p>Target date: 31 October 2018</p> <p>4) <i>The policy and process notes will be communicated to all hiring managers and any required training will be provided.</i></p> <p>Responsible officer: Strategic HR Lead; HR Business Partner, CSG;</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
				<p>Working with the new provider who will provide some of the training.</p> <p>Target date: 31 October 2018</p>
3	<p><u>Performance monitoring – DBS clearance (control design and operating effectiveness)</u></p> <p>Where a role profile within the agency staff system shows that a DBS check is required for a role, suppliers cannot submit a candidate for a role if a 16 digit DBS reference number hasn't been input for that candidate. As the format of DBS numbers varies, and the system does not externally validate the DBS numbers provided, the system is unable to recognise whether the number provided for a candidate is a valid DBS number or not. HR provided a spreadsheet showing that spot checks are carried out to verify the DBS status of agency staff, but did not provide evidence of the sampling approach used for these checks or details about what exactly was done to verify that the DBS numbers held by the supplier for agency staff were valid (i.e. independent checks with the DBS Update Service). Without clear checks on the validity of the DBS clearance numbers held within the system, the control within the agency staff system is circumventable and no mitigating controls are in place other than through a supplier audit, which is not currently operating (see finding 4).</p> <p>We tested a sample of 20 individuals within Streetscene. Of these, the job titles of four individuals (2 x Passenger Transport Escort - Level 2 and 2 x Passenger Transport Driver) indicated that they would normally be required to have DBS clearance due to the nature of their roles and contact with vulnerable residents. We looked at the compliance tab within the agency staff system for each of these individuals but none had details of DBS clearance in place. We then looked at the job profiles set up within the agency staff system for these</p>	<p>If agency staff are not subject to the relevant vetting for their post, there is a risk that inappropriate appointments will be made, leading to financial loss, increased safeguarding risks and/or reputational damage for the Council.</p>	<p>High</p>	<p>1) <i>CSG HR Business Partners will ensure that the recruiting officer clearly states DBS requirements in job descriptions so that only staff who will provide evidence of DBS clearance are hired.</i></p> <p>Responsible officer: HR Business Partner, CSG & CSG HR Director</p> <p>Target date: 31 October 2018</p> <p>2) <i>This evidence will be retained centrally within the agency staff management system to support review of the operation of the control.</i></p> <p>Responsible officer: Strategic HR Lead</p> <p>Target date: 31 October 2018</p> <p>3) <i>This requirement will be reflected in the agency staff policy and hiring managers will receive any training as required (see finding 2).</i></p>

Ref	Finding	Risks	Risk category	Agreed action(s)
	<p>roles, where we would expect DBS clearance to be mandated. In the case of Passenger Transport Escort - Level 2, DBS clearance had not been added as a necessary requirement for the role. In the case of Passenger Transport Driver, it had been added as a role requirement within the job profile, but the clearance was not held on the system, indicating that there may be an issue around whether or not job profile compliance requirements are enforced by the agency staff system, and whether assignments can be filled without all compliance requirements being fulfilled. None of the individuals were included in Streetscene's own records around DBS clearance, as these only cover permanent staff.</p> <p>We spoke to Street Scene management, who confirmed that there are mitigating controls within the delivery unit to ensure that agency staff are either DBS checked, or appropriately risk assessed and accompanied by a DBS checked member of staff pending the completion of DBS checks. However, at the time of writing this report we had not seen evidence of this. Additionally, these controls are specific to the delivery unit and do not provide assurance at a Council-wide level.</p>			<p>Responsible officer: Strategic HR Lead; HR Business Partner, CSG</p> <p>Target date: 31 October 2018</p> <p>4) <i>LBB HR and CSG HR management will decide on a process for checks on the validity of agency staff DBS clearance and this will be incorporated into the temporary workers policy.</i></p> <p>Responsible officer: Strategic HR Lead; HR Business Partner, CSG</p> <p>Target date: 31 October 2018</p> <p>5) <i>CSG HR will review all generic role profiles within the supplier system on an annual basis to ensure that roles which give employees access to vulnerable individuals require appropriate clearances.</i></p> <p>Responsible officer: HR Business Partner, CSG</p> <p>Target date: 30 September 2018 then annually by 30 September thereafter</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
				<p>6) <i>LBB HR will ask the supplier to ensure that it is not possible to fill these roles without adding relevant information (including DBS numbers) into the system.</i></p> <p>Responsible officer: Strategic HR Lead</p> <p>Target date: Complete</p> <p>7) <i>LBB HR will ask the new provider to review all existing agency staff in roles who work with vulnerable individuals and seek confirmation from Matrix and the supply chain provider that a DBS check is in place for those individuals.</i></p> <p>Responsible officer: LBB HR</p> <p>Target date: 31 October 2018</p> <p>8) <i>LBB HR will investigate whether it is possible to require verification of DBS numbers directly with the DBS Update Service as part of the new agency supplier contract.</i></p> <p>Responsible officer: Strategic HR Lead</p> <p>Target date: 31 October 2018</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
4	<p><u>Performance monitoring – Supplier compliance audits (operating effectiveness)</u></p> <p>The supplier is supposed to audit suppliers regularly (six monthly for all agencies, three monthly for social care agencies) to assess compliance with statutory requirements in areas including immigration status, DBS checks and IR35. The six-monthly audits are supposed to be reported on to Barnet, but the three-monthly ones are only reported if requested. Only one audit report has been produced since the inception of the current contract, which was sent by the supplier to the Council in February 2017. We queried this and were informed by the supplier’s key contact named in the contract that two main factors had prevented the carrying out of the two subsequent audits:</p> <ul style="list-style-type: none"> - a delayed contract completion process - the transition to the updated agency staff system. <p>Instruction to conclude the access contract from the framework was provided to HB Public Law at the point of governance authorisation in September/October 2016. The actual agreement was endorsed on 10 March 2017, and as such should not have delayed the audit due in August 2017 (especially as the supplier were able to carry out the February 2017 audit despite the lack of endorsement). The transition to the updated agency staff system took place in late September 2017, but based on the information within the audit report from February 2017, it’s not clear why the audit could not have been carried out on a sample basis using the legacy agency staff system. The supplier’s response stated the failure to carry out these audits “did not create any undue risk or liability to the Council during this period of time as suppliers were still contracted to provide a service subject to formal compliance and governance processes already prescribed in their contracts and this was closely monitored and reviewed in the processes outlined in the system and in agreed screening and</p>	<p>If agency staff are not subject to the relevant vetting for their post, there is a risk that inappropriate appointments will be made, leading to financial loss, increased safeguarding risks and/or reputational damage for the council.</p>	<p>High</p>	<p>1) <i>Management will request evidence of the six-monthly agency audit and any actions taken by the supplier as a result (e.g. agency suspension). Any issues arising from agency audits will be escalated by CSG procurement to CSG HR and LBB HR.</i></p> <p>Responsible officer: Strategic HR Lead (during contract mobilisation); CSG Contract Manager thereafter (to add as a standing agenda item to quarterly contract monitoring meeting with Matrix)</p> <p>Target date: 31 October 2018 for mobilisation; 31 December 2018 for quarterly contract monitoring meeting agenda</p> <p>2) <i>Management will request evidence that social care agency compliance is being reviewed by the supplier on a three-monthly basis. Any issues arising from agency audits will be escalated by CSG procurement to CSG HR and LBB HR.</i></p> <p>Responsible officer: Strategic HR Lead (during contract mobilisation);</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
	<p>vetting protocols outlined in the requirements cards attached to each and every assignment that is raised by the Council."</p> <p>As the purpose of the audits is to verify that the compliance and governance processes as prescribed in the agencies' contracts are operating effectively, this isn't an effective alternative control, particularly in the light of the high level of failures identified during the last supplier audit of agencies in February 2017, which identified 27 of the 72 sampled agencies (37.5%) as failing the audit, with seven of these failures leading to agencies being suspended from use (9.7% of agencies sampled). No evidence was provided to demonstrate that the missing audit reports had been proactively chased by CSG management.</p>			<p>CSG Procurement thereafter (to add as a standing agenda item to quarterly contract monitoring meeting with Matrix)</p> <p>Target date: 31 October 2018 for mobilisation; 31 December 2018 for quarterly contract monitoring meeting agenda</p> <p>3) <i>The agency staff policy will outline preventative and detective controls around the compliance of agency staff with statutory requirements, including details of who is responsible for the operation of these controls.</i></p> <p>Responsible officer: Strategic HR Lead, LBB</p> <p>Target date: 31 October 2018</p>
5	<p><u>Performance monitoring – baselining of costs (operating effectiveness)</u></p> <p>The contract says "Service delivery proposals offered must include direct cost savings that are delivered transparently on a year-on-year basis as well as indirect cost savings to be achieved through process efficiencies amongst other efficiencies. Savings should be calculated on a 2014/15 baseline initially (or other appropriately current basis) and reviewed and re-set at the end of each year in consultation with the customer." CSG management confirmed that there has been no re-baselining of costs or savings since the beginning of this contract.</p>	<p>If cost savings and agency staff numbers are not accurately calculated or reported, the Council may not be able to understand whether or not the contract with the supplier offers value for money.</p>	High	<p>1) <i>The baselining of costs and savings within the new contract will be agreed with LBB Commercial prior to contract award. Costs will be reviewed on an annual basis during the contract.</i></p> <p>Responsible officer: Strategic Lead – Commercial to be informed and for review;</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
				<p>Procurement Consultant and Contract Manager to ensure baselining completed and provide report to Commercial and LBB HR</p> <p>Target date: Complete (for contract mobilisation); 31 October 2019 and annually thereafter (for review)</p>
6	<p><u>Agency staff request process – timesheet approvals and access rights (operating effectiveness)</u></p> <p>We tested a sample of 20 individual assignments within Streetscene by looking at the approval for the most recent timesheet. Of these, one was approved by managers who did not have approval rights for the cost code linked to the assignment. In theory, this should not be possible within the agency staff system, as only people with timesheet approval or hiring manager rights for a cost code should be able to sign off spend.</p> <p>We also reviewed the listing of approval rights within the agency staff system and noted examples of staff who had moved within the council but still had access to cost codes from their former service areas, and staff who have left the council but who were still listed as active within the agency staff system. This is particularly concerning, as the agency staff system can be accessed through a web portal and former staff with active accounts could approve assignments. Management were not able to provide evidence that access to the agency staff system is regularly reviewed and updated.</p>	<p>If access is not appropriately restricted and requests for agency staff are made or authorised by people who do not have authority over the relevant budget/cost code, unanticipated costs may be incurred, leading to financial loss for the Council.</p> <p>If the process for requesting agency staff is not easy to use and time efficient, business need resulting from vacancies may not be met and service quality may suffer.</p>	Medium	<p>1) <i>Management will ensure during mobilisation with the new supplier that approvals can only be done by those that have authorisation and authority for the relevant cost code.</i></p> <p>Responsible officer: LBB HR</p> <p>Target date: 31 October 2018</p> <p>2) <i>Management will also regularly review access rights of all hiring managers and timesheet approvers within the agency staff system against their establishment role to ensure that they remain appropriate. This exercise should be carried out at least quarterly and should include an assessment against the financial schemes of delegation of whether cost centres associated with individuals</i></p>

Ref	Finding	Risks	Risk category	Agreed action(s)
				<p><i>continue to be appropriate in light of their role.</i></p> <p>Responsible officer: CSG Finance Business Partner to provide to CSG Contract Manager Procurement</p> <p>Target date: Start November 2018 and ongoing</p> <p>3) <i>On a monthly basis, a list of all Council leavers will be generated and access to the agency staff system will be removed from leavers and issued to the Supplier to ensure changes made.</i></p> <p>Responsible officer: CSG Finance Business Partner to provide to CSG Contract Manager Procurement</p> <p>Target date: Start November 2018 and ongoing</p> <p>4) <i>Management will consider whether it is possible to require staff to access the agency staff system through the Council's intranet, reducing the risk of staff who no longer work for the Council accessing the site.</i></p> <p>Responsible officer: LBB HR</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
				Target date: 31 October 2018
7	<p><u>Performance monitoring – supplier gain share calculation (operating effectiveness)</u></p> <p>The contract outlines a gain share arrangement between the supplier and the Council: a percentage of savings made through the contract are attributable to the Council and then any further savings are split between the Council and the supplier in an agreed ratio. This takes place on a quarterly basis and savings are rebated to the Council.</p> <p>We reviewed the supporting calculations for the supplier gain share, and found that there were minor errors in how this calculation had been applied by the supplier over the nine month period under review.</p> <p>Management have confirmed that this contractual arrangement will not be in place under the new agency supplier contract and therefore this finding relates solely to the historic contract.</p>	<p>If cost savings and agency staff numbers are not accurately calculated or reported, the Council may not be able to understand whether or not the contract with the supplier offers value for money.</p>	Medium	<p>1) <i>Any potential impact from the historic miscalculation will be factored into the Council's budgeting process.</i></p> <p>Responsible officer: LBB Commercial Lead</p> <p>Target date: 30 October 2018</p>
8	<p><u>Agency staff request process – staff requests (control design and operating effectiveness)</u></p> <p>Vacancies which are added to the agency staff system should have the vacancy number for the relevant establishment position included within the job order. The vacancy number field in the agency staff system does not verify whether the number input by the requester is valid. CSG management reported that some managers have been inputting invalid numbers to circumvent this control. This was supported by our testing in this area.</p> <p>We tested a sample of five Streetscene assignments which began after the move to the updated agency staff system on 19 September 2017. One order was raised and processed by the supplier's helpdesk without evidence of manager approval</p>	<p>If access is not appropriately restricted and requests for agency staff are made or authorised by people who do not have authority over the relevant budget/cost code, unanticipated costs may be incurred, leading to financial loss for the Council.</p>	Medium	<p>1) <i>Appropriate workflow and authorisation controls will be implemented to ensure that only authorised bookings can proceed to placement.</i></p> <p>Responsible officer: LBB HR and CSG HR</p> <p>Target date: 31 October and reviewed quarterly</p> <p>2) <i>The Temporary Agency Working Group will review the findings of this audit and use them to inform</i></p>

Ref	Finding	Risks	Risk category	Agreed action(s)
	being retained. None of the vacancies had a valid vacancy number within the agency staff system.			<p><i>their action plan for reducing all agency spend.</i></p> <p>Responsible officer: LBB HR LBB Finance</p> <p>Target date: Ongoing</p>
9	<p><u>Agency staff request process – new assignment approvals (control design)</u></p> <p>The contract states that all orders should be approved by HR, however management confirmed that this is only the case for extensions and has not been built into the process for new assignments. In the absence of this approval, inappropriate temporary assignments may not be challenged.</p>	<p>If access is not appropriately restricted and requests for agency staff are made or authorised by people who do not have authority over the relevant budget/cost code, unanticipated costs may be incurred, leading to financial loss for the Council.</p> <p>If the process for requesting agency staff is not easy to use and time efficient, business need resulting from vacancies may not be met and service quality may suffer.</p>	Medium	<p>1) <i>The system will be configured to ensure that HR approve all new orders, verifying that either the recruitment panel have authorised the booking or the role is exempt from recruitment panel and that the period of the initial assignment is less than 11 weeks.</i></p> <p>Responsible officer: CSG HR</p> <p>Target date: 31 October and ongoing</p> <p>2) <i>As part of the agency staff policy, an extensions process will be agreed and relevant controls will be implemented</i></p> <p>Responsible officer: CSG HR</p> <p>Target date: 30 November and ongoing</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
10	<p><u>Agency staff request process – expenses (control design)</u></p> <p>While expenses are not supposed to be paid to agency staff except under very limited circumstances, there is the facility for managers to sign these off within the system. As a result, expenses can be approved by managers even though, in theory, some jobs should not have expenses attached to them. The total value of expenses paid through the LB Barnet contract in 2017/18 was £39k.</p> <p>There is no expenses cap in place at LB Barnet, although there are daily limits within the agency staff system based on the job profile chosen. These don't reflect limits set by Barnet and are set at generic levels which are higher than would be set if an expenses cap is in place. There is no documentation of any tolerances in place around expenses for agency staff (e.g. what would constitute legitimate expenditure).</p>	If there is no clear guidance around the payment of agency staff expenses, the Council may incur unexpected costs.	Medium	<p>1) <i>The Council will introduce an expenses cap policy for agency staff, and ensure that job profiles within the agency staff system are updated to reflect the expenses limits for each role.</i></p> <p>Responsible officer: LBB HR</p> <p>Target date: 30 November and ongoing</p> <p>2) <i>The approvals process for expenses will be embedded in the new agency staff system's workflows.</i></p> <p>Responsible officer: LBB HR and LBB Finance Business Partner</p> <p>Target date: 30 November and ongoing</p> <p>3) <i>Guidance will be issued to managers around approving expenses for agency staff.</i></p> <p>Responsible officer: LBB HR and LBB Finance Business Partner</p> <p>Target date: 30 November and ongoing</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
11	<p><u>Agency staff request process – off-contract spend monitoring (control design)</u></p> <p>In theory, there should be no use of agency staff outside the agency staff supply contract without sign-off by the LBB Commercial Director. However, instances have been noted in the supplier monitoring meeting minutes and discussions with management of agency staff being procured directly from agencies.</p> <p>While there is monitoring of spend over £10,000 by Procurement which may identify some off-contract agency worker spend, there is no regular detective control in place specifically to identify off-contract arrangements where agency staff have been directly procured by managers from agencies.</p> <p>Management confirmed that reports show that off-contract spend is minimal (1.1% of annual contract spend) and subject to single tender action and sign-off by the LBB Commercial Director. Evidence was not provided to demonstrate that all off-contract spend had been signed off appropriately.</p>	<p>If vacancies cannot be filled easily using the supplier, officers may circumvent the process and recruit temporary staff through other means, reducing the value for money offered by the supplier contract.</p>	<p>Low</p>	<p>1) <i>CSG Procurement will run reports on off-contract spend on a quarterly basis to be reviewed by CSG HR and used to inform interventions to encourage services to reduce off-contract agency worker spend.</i></p> <p>Responsible officer: CSG Contract Manager, Procurement</p> <p>Target date: 30 October and ongoing</p>
12	<p><u>Performance monitoring – contract terms and transparency (control design and operating effectiveness)</u></p> <p>The current supplier contract is not published on Open Barnet, unlike the previous contract. This is not in line with the recommendation within the Local Government Transparency Code 2015 that "all contracts in their entirety where the value of the contract exceeds £5,000" should be published. While this is a recommendation rather than a requirement, the Council's Declaration and Commitment Statement to Transparency confirms that the Council's vision is "to exceed the Local Government Transparency Code requirements". Additionally, the council's Transparency Policy dated November 2016 states that "the council expects partners to publish copies of contracts and tenders to businesses" and encourages partners to use the Transparency Policy where</p>	<p>If the contract is not clear about terms or contains discrepancies, it may not be possible to carry out contract monitoring effectively or hold the supplier to account.</p>	<p>Low</p>	<p>1) <i>All contracts for the provision of agency staff will be published on Open Barnet to comply with the Council's Transparency Policy.</i></p> <p>Responsible officer: Procurement Lead</p> <p>Target date: 30 November 2018</p> <p>2) <i>Management will clarify whether the performance indicator being reported against for the fill rate of assignments is 95% or 98%.</i></p>

Ref	Finding	Risks	Risk category	Agreed action(s)
	<p>processing council data. On this basis, CSG should have published the supplier contract.</p> <p>We reviewed the contract and noted that in some cases there were differences between terms as outlined in the main body of the contract and as shown within the Service Level Agreement (schedule 6 to the contract). For instance:</p> <ul style="list-style-type: none"> - the contract states that there is an optional 1-year extension period for the contract, but the SLA states that there is an optional 2-year extension period - the minimum fill rate for assignments is given as 95% in the SLA but as 98% in the contract. <p>Management confirmed that due to the nature of the framework contract this is inevitable, and that the contract was fully reviewed by the Council's legal advisors, reducing the risk associated with any discrepancies.</p> <p>We also identified issues around the accuracy of reporting within the QBR of the fill rate for assignments, which indicates that the minimum contractual fill rate is not being met (see Appendix 1 for details), however in the absence of clarity around the contractual terms, this information might not be able to be used to leverage service improvement.</p>			<p>Responsible officer: Completed</p> <p>Target date: Completed (<i>Superseded by new contract and rate is confirmed as 98%</i>)</p> <p>3) <i>Management will also ask the supplier to clarify the reason for assignment request cancellations, and where these are due to inappropriate or no suitable candidates being provided by agencies, these will be recognised as unfilled for the purposes of reporting the fill rate. New contract will have this report</i></p> <p>Responsible officer: LBB HR</p> <p>Target date: First quarterly report, January 2019</p>
13	<p><u>Performance monitoring – quarterly contract monitoring meetings (operating effectiveness)</u></p> <p>We verified that quarterly contract monitoring meetings have taken place between the supplier and CSG. These meetings are not formally minuted. While the Procurement key contact retains notes, these are not shared with all attendees. As such, there is no record of agreed actions and there isn't consistent tracking of issues from one set of notes to the next.</p>	<p>If cost savings and agency staff numbers are not accurately calculated or reported, the Council may not be able to understand whether or not the contract with the supplier offers value for money.</p>	Low	<p>1) <i>An action log will be created for the quarterly contract monitoring meetings. It will record the date each action arose, the owner of the action, any deadline agreed for the action, and the priority level for the action.</i></p> <p>Responsible officer: CSG Procurement Contract Manager</p> <p>Target date:</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
				<p>Monthly from October 2018-December 2018 and then quarterly from there on</p> <p>2) <i>Each contract monitoring meeting will revisit actions arising from previous meetings to ensure that these have been completed or are appropriately rolled forward.</i></p> <p>Responsible officer: CSG Procurement Contract Manager</p> <p>Target date: Monthly from October 2018-December 2018 and then quarterly from there on</p>
14	<p><u>Agency staff request process – billing (control design)</u></p> <p>All billing from the supplier is based on submitted agency bills derived from timesheet downloads from the system. A spreadsheet showing each assignment is provided to support this billing and is agreed on a weekly basis to activity by the Procurement team. We reviewed the invoice and supporting documentation for the most recent invoice at the date of audit. <u>No issues were noted with these.</u> However, no process notes are in place to cover the invoice checking process, and no central record is maintained of the queries raised around potential discrepancies identified.</p>	<p>If billing is not timely, delivery units may not be able to accurately record and report costs relating to agency staff and will not be able to accurately forecast their budgets.</p>	Low	<p>1) <i>Management will create process notes for the invoice checking process, and a central record will be maintained of the queries raised around potential discrepancies identified during the process and the outcome of those queries.</i></p> <p>Responsible officer: Completed</p> <p>Target date: Completed</p>
15	<p><u>Performance monitoring – CSG gain share calculation</u></p> <p>Per discussion with management, the historic savings percentage quoted in the contract is used to estimate savings to arrive at the quarterly amount to be paid to CSG. It is not clear why the historic savings percentage is being used as the basis for the CSG gain share calculation, when the contract</p>	<p>If cost savings and agency staff numbers are not accurately reported, the Council may not be able to understand whether or not</p>	Advisory	<p>N/A – this finding is advisory only as this element of the contract is currently under review and payments are suspended. As such, there is no current risk to the Council.</p>

Ref	Finding	Risks	Risk category	Agreed action(s)
	<p>says that actual savings should be calculated and costs re-baselined annually. The text within the contract where the savings percentage has been drawn from is explicitly flagged as an illustration of past savings performance, rather than as a rate setting exercise. As such, it is likely that the CSG gain share calculations to date for this contract have not been accurate if the historic savings percentage has been used as the assumed savings amount. The CSG gain share payment relating to this contract has not been approved by the Procurement Board since January 2017 and as such, any cost impact relating to this issue is limited to the first three months of the current contract.</p>	<p>the contract with the supplier offers value for money.</p>		

Appendix 1: Monitoring and management information

Within the supplier contract, schedule 7 provides a table showing the minimum data which the supplier is required to provide to the council on a quarterly basis for performance management purposes. We compared this table to the information which is provided within the Quarterly Business Report (QBR) and in other documents provided to the council by the supplier, including schedules to support invoices and rebate calculations.

Table taken from Schedule 7 to the supplier contract		Audit review outcome	
Measure	Additional summary data to be provided	Is the data provided in the form required?	Exceptions noted
1 Financial			
1.1 Spend via contract by customer	Total spend in Quarter	Spend by month is captured within the QBR under 2.2 Finance: spend by month . While spend by quarter is not explicitly given within this section of the report, it can be worked out using the monthly spend figures provided. Detailed listings of costs are provided to support the weekly invoices and quarterly rebate calculations sent by the supplier to the council.	N/A – no exceptions noted.
1.2 Spend via by directorate and service	Total spend per directorate and service	Spend by directorate in year to date is captured within the QBR under 2.3 - Finance: spend by division . Spend is not further broken down by service in the QBR, however this information can be assessed using the cost listings provided to support the supplier invoices.	2.3 - Finance: spend by division has a sub-heading of "Spend year to date by division", however in the Q3 (Oct-Dec 2017) report we reviewed, the data only covered the period after 19 September 2017, when the system used to administer agency bookings was upgraded. The data did not include any prior spend in the year and the sub-heading should have been updated to reflect this.
1.3 Savings to date	Summary of savings during quarter per customer - to ensure no additional inaccurate savings are being accrued,	Savings are captured within the QBR under 2.4 - Finance: cost savings by job category . If you drill into that table embedded within the report, savings are broken down in more detail. A detailed breakdown of savings is provided by the supplier to support the quarterly rebate calculation.	The "client charge" noted within the QBR in sections 2.2 and 2.3 is not the same as within section 2.4. This variance is significant in every quarter we have reviewed, however CSG management were not able to explain the variance, indicating that this had not been identified as a discrepancy and queried with the supplier in the course of contract monitoring.

Table taken from Schedule 7 to the supplier contract		Audit review outcome	
Measure	Additional summary data to be provided	Is the data provided in the form required?	Exceptions noted
	savings are in addition to the spend figure.		
1.4 MSP fee	Total MSP fee charged per client in Quarter (excluding any Gainshare elements).	This information about the total cost of the agency mark-up on assignments is not provided within any supplier reports in the format requested, however it is possible to assess this by comparing the bill total and pay total within the detailed breakdown of costs which is provided by the supplier to support the quarterly rebate calculation.	N/A – no exceptions noted.
1.5 ESPO fee	Total ESPO fee accumulated in Quarter	The Mstar (ESPO) fee for each quarter is captured within the QBR under 2.4 - Finance: cost savings by job category . The Mstar fee is also captured within the detailed breakdown of costs which is provided by the supplier to support the quarterly rebate calculation.	N/A – no exceptions noted.
1.6 Agency fees	Maximum hourly charge to all clients at the current point in time per specialism (overall, not per client)	This information is not provided within any of the reporting provided by the supplier to the Council.	This information is not provided within any of the reporting provided by the supplier to the Council.

Table taken from Schedule 7 to the supplier contract		Audit review outcome	
Measure	Additional summary data to be provided	Is the data provided in the form required?	Exceptions noted
1.7 Average savings expressed in both pence and percentage	Average savings during quarter in £ and % per specialism for each client	Savings are captured within the QBR under 2.4 - Finance: cost savings by job category in both £ and % per job category. A detailed breakdown of savings is provided by the supplier to support the quarterly rebate calculation.	In all quarters prior to Q3, when this was shown for the period from 19 September to 31 December 2017, the savings figure was given as cumulative annual savings, not the quarterly figures as required by Schedule 7.
2 Process/Operations			
2.1 Total hours billed	Summary of hours billed, per specialism	Hours billed by supplier are captured within the QBR under 2.1 Finance: Supplier Information . Hours worked by specialism for the last 12 months are captured in 1.4 Operational Activity: Hours Worked . The hours agree to the total hours shown in 2.1. Hours worked by specialism for the last three months are captured in 1.5 Operational Activity: Hours Worked by Division .	In 1.4 Operational Activity: Hours Worked , the table states that these are the hours for the last 12 months. However, in the Q3 report (Oct-Dec 2017) provided for review, the hours dated from the systems update on 19 September 2017, and did not include any hours prior to this point. The table description should have been updated to reflect this change.
2.2. Total no. assignments filled	Summary of number of assignments filled in given period, per specialism (figures may be less than 2.3)	The number of assignments filled is captured within the QBR under 1.2 Operational Activity: Order Justification . The number of orders within the period is broken down by specialism if you drill down into the table in 1.3 Operational Activity: Position Fulfilment .	N/A – no exceptions noted.

Table taken from Schedule 7 to the supplier contract		Audit review outcome	
Measure	Additional summary data to be provided	Is the data provided in the form required?	Exceptions noted
2.3 Fill rates	% of requested assignments which have been filled in given period, per specialism	<p>The percentage of requested assignments filled is shown within 1.3 Operational Activity: Position Fulfilment.</p> <p>While the fill rate for these orders is not broken down by specialism within the Quarterly Business Review, this breakdown is provided within a supporting spreadsheet called "Additional Reports" created by the supplier to support the QBR.</p>	<p>The Q3 QBR shows that 23% of assignments requested in the October, November and December 2017 were "cancelled" by the requester. These have not been reported as "unfilled", and as such, the performance indicator within the contract (98%) and SLA (95%) for the minimum percentage of positions filled has been met. However, the QBR does not break down the reasons for cancellation.</p> <p>C.net5 data within "Additional Reports" provides the reason for each order's cancellation (although the number of cancelled orders within the QBR is given as 39 for the three months, and in "Additional Reports" for the same three months there are 33 cancelled positions shown, indicating that there may be data quality issues). The information within "Additional Reports" shows that three of the 36 cancellations are due to no suitable candidates being provided through the supplier contract or issues around the quality of candidates identified. QBR reporting of "unfilled" positions should include some of the "cancelled" positions where the cancellations are attributable to the supplier/agencies being unable to provide suitable candidates. A recalculation of the QBR where these posts are classed as "unfilled" rather than "cancelled" indicates that the contract KPI around position fulfilment was not met for the period Oct-Dec 2017, as the recalculated fulfilment rate is 97.6%.</p>
2.4 Time to fill	Average length of time in days taken to fill an	This information is not provided within any of the reporting provided by the supplier to the Council.	This information is not provided within any of the reporting provided by the supplier to the Council.

Table taken from Schedule 7 to the supplier contract		Audit review outcome	
Measure	Additional summary data to be provided	Is the data provided in the form required?	Exceptions noted
	assignment, overall and per specialism.		
2.5 System issues raised	System issues which are resolved within Service Level Agreements Supplier responses, within Service Level Agreements, regarding considerations of future system developments	This information is not provided within any of the reporting provided by the supplier to the Council.	This information is not provided within any of the reporting provided by the supplier to the Council.
2.6 Time to resolve system issues	Average length of time taken, in days, to resolve system issues in given period.	This information is not provided within any of the reporting provided by the supplier to the Council.	This information is not provided within any of the reporting provided by the supplier to the Council.
2.7 Timesheets on time	% of timesheets which are authorised on time, broken down by business area	The percentage of timesheets approved and pending approval is broken down by business area if you drill down into the table within the QBR under 1.3 Operational Activity: Position Fulfilment.	The information provided does not indicate whether timesheet approvals have been on time, or whether the "pending approval" timesheets are overdue.
3 Customer and Quality			
3.1 Complaints made	Summary and/or number of complaints received from customers	This information is not provided within any of the reporting provided by the supplier to the Council.	This information is not provided within any of the reporting provided by the supplier to the Council.

Table taken from Schedule 7 to the supplier contract		Audit review outcome	
Measure	Additional summary data to be provided	Is the data provided in the form required?	Exceptions noted
3.2 Complaints resolved and time taken to resolve.	Summary and/or number of complaints from customers resolved in accordance with the agreed complaints procedure	This information is not provided within any of the reporting provided by the supplier to the Council.	This information is not provided within any of the reporting provided by the supplier to the Council.
3.3 % interviewed for role	% of CVs which are put forward and are interviewed	This information is not provided within any of the reporting provided by the supplier to the Council.	This information is not provided within any of the reporting provided by the supplier to the Council.
3.4 % offered after interview	% of assignments offered after interview	This information is not provided within any of the reporting provided by the supplier to the Council.	This information is not provided within any of the reporting provided by the supplier to the Council.
3.5 Assignment extensions	Number of assignments extensions	This information is not provided within any of the reporting provided by the supplier to the Council.	While the number of assignments longer than 13 weeks is broken down within the QBR under 1.6 Operational Activity: Assignment Duration and it should in theory be possible to assess the total number of assignments which have had one or more extensions, it is not possible to identify the number of assignment extensions within the quarter from this information. Additionally, this is dependent on the control in place which limits the maximum number of weeks an assignment can be requested for. Our detailed testing has demonstrated that this control is not currently operating.
3.6 Assignment cancellations	Number of assignments which are withdrawn /	The number of assignments which are cancelled prior to their start is provided within the QBR under 1.3 Operational Activity: Position Fulfilment.	N/A – no exceptions noted.

Table taken from Schedule 7 to the supplier contract		Audit review outcome	
Measure	Additional summary data to be provided	Is the data provided in the form required?	Exceptions noted
	cancelled prior to the start	A more detailed breakdown is provided within a supporting spreadsheet called "Additional Reports" created by the supplier to support the QBR. This gives information about why assignments were cancelled/withdrawn.	
4 Contract and Supply Chain Management			
4.1 % SMEs in supply chain	% of spend that is going through SMEs % of tiered suppliers which are SMEs	% of spend that is going through SMEs is captured within the QBR under 2.1 Finance: Supplier Information. However, the % of tiered suppliers which are SMEs is not. The number of SMEs is given, and the total number of suppliers can be accessed by clicking through to the underlying table, so it is possible to assess this using the information given.	N/A – no exceptions noted.
4.2 Maximum overall time took to pay supply chain in quarter	Maximum number of days taken to pay the supply chain, following the issue of an undisputed invoice to the customer. Please note clause 5.3 of this Customer Agreement.	This information is not provided within any of the reporting provided by the supplier to the Council.	It's not clear what clause 5.3 is - it's not the SLA clause of this number, which refers to the minimum number of vacancies filled.
4.2.1 I hereby agree and have complied with clause	Yes/No Signed....	This disclaimer is not provided within any of the reporting provided by the supplier to the Council.	

Table taken from Schedule 7 to the supplier contract		Audit review outcome	
Measure	Additional summary data to be provided	Is the data provided in the form required?	Exceptions noted
5.3 within this agreement.			
4.3 Agencies passing audit	% of agencies which have passed an audit	There is a bi-annual audit of agencies which should be carried out by the supplier and reported on to the Council. A bi-annual audit is in line with the contractual requirements around audit of non-social care agencies, however there is also a contractual requirement for social care agencies to be audited on a quarterly basis and reported on if requested. This Schedule 7 measure indicates that the outcome of this audit should be being reported as a % of agencies on a quarterly basis.	The bi-annual audit of agencies has not taken place since February 2017. There is no indication that a quarterly audit of social care agencies has ever taken place.
4.4 Supplier complaints	Summary and/or number of complaints received from supply chain	This information is not provided within any of the reporting provided by the supplier to the Council.	This information is not provided within any of the reporting provided by the supplier to the Council.
4.5 Assignments > 13 weeks	Summary of number of assignments which are longer than 13 weeks	The number of assignments longer than 13 weeks is broken down within the QBR under 1.6 Operational Activity: Assignment Duration.	N/A – no exceptions noted.

Appendix 2: Follow up of People Management – Pre-Employment Checks audit (June 2015)

Finding	Risk	Recommendations	Management response
<p>The Council has a contract with the supplier to provide agency staff when the existing resources are unable to meet the demand.</p> <p>We confirmed that there is a formal contract between the supplier and the Council which includes specific terms and conditions around the pre-employment vetting procedures required to be undertaken before individuals are formally engaged by the Council: a role description is provided to the supplier which includes the vetting requirements, such as DBS, the supplier is then responsible for finding a suitable individual and completing the relevant vetting.</p> <p>This is completed using other agencies in most cases.</p> <p>The supplier is able to use third party recruitment agencies when the skills and expertise of the role cannot be met by the staff on their register. In these cases, the supplier is still responsible for meeting the conditions of the contract with the Council.</p> <p>In line with the terms and conditions of the contract, the supplier is required to perform an annual audit of the third-party agencies used to provide staff to the Council. The audit includes testing that agency staff had the correct DBS clearance specified in the role description. The results of the audit should be provided to the Council.</p> <p>Management in HR were unable to provide evidence that the supplier had provided the Council with the result of the audit performed in the 2014/15 financial year.</p> <p>In addition to the annual audit undertaken by the supplier, the Council also perform monthly spot checks on agency staff clearances. This involves selecting a sample of ten agency workers and reviewing their clearance. A risk-based approach is applied to the selection of the sample, with focus being placed on Council employees in Adults and Communities and Children’s Services. We reviewed the working papers and documentation of the spot checks performed in October 2014 and January 2015.</p>	<p>The supplier may not provide the Council with sufficient assurance over the pre-employment checks performed on agency staff resulting in non-compliance with legislative requirements not being identified and resolved promptly and reputational damage to the Council if vulnerable service users are not being appropriately safeguarded.</p>	<p>a) Management should ensure that the results of the annual audit undertaken by the supplier are communicated promptly and shared with Human Resources.</p> <p>b) The Council should review the results of the audit to identify any instances of non-compliance.</p> <p>c) All instances of non-compliance should be discussed with the agency, investigated and resolved.</p> <p>d) Management should consider whether the monthly spot checks provide sufficient monitoring of the compliance of the employment agencies with safeguarding requirements.</p>	<p>a) b) and c) It is noted that annual audit results should be communicated as promptly as possible. Current process is that annual audit results are presented to Procurement. A full review of this audit process will be completed.</p> <p>d) This will be discussed during the meeting described above for DBS and HCPC. The outcome will be fed back into the review above and detailed plans, identifying timelines, developed accordingly.</p>

No exceptions were noted where the employee did not have the appropriate DBS clearance.			
Follow-up findings May 2018	Risk	Recommendations	Management response
<p>Conclusion: not implemented</p> <p>a) The annual audit has been superseded by a twice yearly audit (quarterly for all social care agencies) within the 2016-18 contract. There has been no audit since February 2017, and as a result this control is not deemed to be operating. See finding 2, point 5 above for further details.</p> <p>b) N/A - as there has been no audit for more than a year at the date of testing, we were unable to see evidence that the Council has reviewed audit results.</p> <p>c) N/A - as there has been no audit for more than a year at the date of testing, we were unable to see evidence that the Council has discussed audit results with agencies.</p> <p>d) HR provided a spreadsheet showing that spot checks are carried out to verify the DBS status of agency staff, but did not provide evidence of the sampling approach used for these checks or details about what exactly was done to verify that the DBS numbers held by the supplier for agency staff were valid (i.e. independent checks with the DBS Update Service). Without clear checks on the validity of the DBS clearance numbers held within the system, the control within the agency staff system is circumventable and no mitigating controls are in place other than through a supplier audit, which is not currently operating .</p>	As above.	<p>a) Management should ensure that the results of the six-monthly audit undertaken by the supplier are communicated promptly and shared with Human Resources.</p> <p>b) The Council should review the results of the audit to identify any instances of noncompliance.</p> <p>c) All instances of non-compliance should be discussed with the agency, investigated and resolved.</p> <p>d) Management should re-institute spot checks to provide an additional layer of assurance around agency compliance.</p>	<p>Accepted.</p> <p>Actions to be taken forward as per findings 3 and 4 in the main report above.</p>

Appendix 3: Definition of risk categories and assurance levels in the Executive Summary

Note: the criteria should be treated as examples, not an exhaustive list. There may be other considerations based on context and auditor judgement.

Risk rating	
Critical 	Immediate and significant action required. A finding that could cause: <ul style="list-style-type: none"> • Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance (eg mass strike actions); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny (i.e. front-page headlines, TV). Possible criminal or high profile civil action against the Council, members or officers; or • Cessation of core activities, strategies not consistent with government's agenda, trends show service is degraded. Failure of major projects, elected Members & Senior Directors are required to intervene; or • Major financial loss, significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council. Critical breach in laws and regulations that could result in material fines or consequences.
High 	Action required promptly and to commence as soon as practicable where significant changes are necessary. A finding that could cause: <ul style="list-style-type: none"> • Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff; or • Significant impact on the reputation or brand of the organisation. Scrutiny required by external agencies, inspectorates, regulators etc. Unfavourable external media coverage. Noticeable impact on public opinion; or • Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome medium-term difficulties; or • High financial loss, significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.
Medium 	A finding that could cause: <ul style="list-style-type: none"> • Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff; or • Moderate impact on the reputation or brand of the organisation. Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage; or • Significant short-term disruption of non-core activities. Standing orders occasionally not complied with, or services do not fully meet needs. Service action will be required; or • Medium financial loss, small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences.
Low 	A finding that could cause: <ul style="list-style-type: none"> • Minor injuries or stress with no workdays lost or minimal medical treatment, no impact on staff morale; or • Minor impact on the reputation of the organisation; or • Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule; or • Handled within normal day to day routines; or • Minimal financial loss, minimal effect on project budget/cost.
Level of assurance	
Substantial 	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.
Reasonable 	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
Limited 	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
No 	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.

Appendix 4 – Analysis of findings

Area	Critical		High		Medium		Low		Total
	D	OE	D	OE	D	OE	D	OE	
Performance monitoring	-	-	3*	4*	-	1	1	2*	11*
Agency staff request process	-	-	0	0	3*	2*	2	-	7*
Total	-	-	3*	4*	3*	3*	3	2*	18*

**Includes four findings relating to both control design and operating effectiveness*

Key:

- Control Design Issue (D) – There is no control in place or the design of the control in place is not sufficient to mitigate the potential risks in this area.
- Operating Effectiveness Issue (OE) – Control design is adequate, however the control is not operating as intended resulting in potential risks arising in this area.

Timetable					
Terms of reference agreed: 19/02/2018	Fieldwork commenced: 19/02/2018	Fieldwork completed: 15/05/2018	Draft report issued: 29/05/2018	Management comments received: 28/06/2018 – 04/10/2018	Final report issued: 19/10/18

Appendix 5 – Identified controls

Area	Objective	Risks	Identified Controls
Contract monitoring	<p>Contract monitoring is sufficiently robust to allow the Council to assess whether quality assurance processes are in place to ensure that:</p> <ul style="list-style-type: none"> • agency staff numbers and costs are accurately reported by the supplier • length of service of agency staff can be assessed using the information provided by the supplier • all agency staff are subject to the relevant vetting for their post (including the required level of Disclosure and Barring Service (DBS) checks) • cost savings through the contract 	<p>If contract monitoring processes are not clear, with defined performance indicators and embedded quality assurance, then the Council may not provide appropriate challenge and the supplier may not meet the standards for the system set out in the contract.</p>	<p>Quarterly Business Review (QBR) On a quarterly basis, the supplier provides an overview of performance to the council's key contacts within Procurement and HR. This report includes sections on:</p> <p><i>Operational Activity</i></p> <ul style="list-style-type: none"> - Ordering Patterns - Position Fulfilment - Hours Worked - Assignment Duration - Worker Evaluation - Call Stats <p><i>Finance</i></p> <ul style="list-style-type: none"> - Supplier Information - Spend - Cost Savings <p>See findings 1, 2 and 3.</p> <p>Quarterly contract monitoring meetings On a quarterly basis, the supplier relationship manager meets with the council's key contacts within Procurement and HR to discuss the QBR and any contract issues arising. Notes are taken at these meetings by the Procurement contact, but are not distributed to other attendees.</p> <p>See finding 14.</p> <p>Contract, KPIs and monitoring information There is a contract which governs the relationship between LBB and the supplier. This contract includes details of the monitoring information which is required from the supplier on a quarterly basis to assess performance (see Appendix 1).</p> <p>See findings 1, 2 and 3.</p>

<p>are accurately reported</p> <ul style="list-style-type: none"> • where contractors are sourced through the supplier, IR35 compliance is monitored and understood. 	<p>If the Council does not have an overview of the length of service of agency staff, there is a risk of financial loss to the Council where a permanent post would be more appropriate, or where agency staff gain additional employment rights through length of service.</p>	<p>Extension Sign-Off The length of assignments is limited to 11 weeks within the agency staff system at the point of initial request. It is not permitted to extend an assignment beyond 11 weeks without sign-off of the extension. Required permissions are detailed below: <i>Extensions beyond 11 weeks and up to 6 months</i> - 1st Approver – Relevant Assistant Director - 2nd Approver – HR Director <i>Extensions beyond 6 months and up to 12 months</i> - 1st Approver – Relevant Director <i>Extensions beyond 12 months</i> - 1st Approver – Chief Executive All extensions have to go through a dedicated inbox managed by HR for authorisation. There is not a system-imposed limit on assignment extension length, but if an extension over six months is requested this is investigated by HR. See finding 5.</p>
		<p>Extension monitoring Within the Quarterly Business Review, there is a section which covers booking length (1.6 - <i>Operational Activity: Assignment Length</i>), to support the monitoring of business areas with bookings over 11 weeks. See finding 3.</p>
	<p>If agency staff are not subject to the relevant vetting for their post, there is a risk that inappropriate appointments will be made, leading to financial loss, increased safeguarding risks and/or reputational damage for the council.</p>	<p>Quarterly/six monthly supplier audit The contract requires the supplier to provide a bi-annual audit report to LB Barnet on agency compliance with both legislative requirements and contract compliance. It also requires quarterly audits of social care agencies, and the reporting of the % of agencies passing audit of these forms part of the quarterly contract monitoring information requested (see item 4.3 within Appendix 1). See finding 5.</p>
		<p>DBS number within the agency staff system Where a role is marked within the agency staff system as requiring a DBS check, suppliers cannot submit a candidate to an order if a 16 digit DBS reference number hasn't been added to the relevant page within the system. The contract states that responsibility for monitoring DBS compliance lies with the agencies arranging the placements, and that the supplier will audit agency performance around compliance monitoring. See findings 4 and 5.</p>

		<p>If cost savings and agency staff numbers are not accurately reported, the Council may not be able to understand whether or not the contract with the supplier offers value for money.</p>	<p>Cost savings calculation Extract from contract: <i>Service delivery proposals offered must include direct cost savings that are delivered transparently on a year-on-year basis as well as indirect cost savings to be achieved through process efficiencies amongst other efficiencies. Savings should be calculated on a 2014/15 baseline initially (or other appropriately current basis) and reviewed and re-set at the end of each year in consultation with the customer.</i> The contract states that fees are to be agreed at the outset and capped at that level for the duration of the contract, however this does not preclude an annual review and reduction in fees as a result of that review. Each assignment's weekly or monthly timesheet is subject to a calculation which compares the actual cost of the assignment (agency bill plus the supplier's management fee) to the pricing schedule appended to the contract. The difference between these two costs is used as the savings amount for the calculation of the supplier's gain share but not for CSG's gain share. See finding 6.</p>
			<p>Supplier gain share Extract from contract: <i>A savings rebate will be applied with reference to the Gain Share arrangement for the contract term which will provide the Council with direct savings on a quarterly basis. Savings will be calculated by a comparison of current supplier commercial terms measured against those referenced in the Pricing Schedule.</i> Where savings are identified, they are apportioned between LB Barnet and the supplier, and included within the rebate paid by the supplier to Barnet on a quarterly basis. See finding 10.</p>
			<p>CSG gain share A historic savings percentage quoted in the contract is used to estimate savings to arrive at the gain share amount to be paid to CSG. This process is carried out quarterly in arrears and a trueing up process is carried out at year end to ensure that timing differences between spend and invoicing have been taken into account. The Procurement Board is required to sign off on all gain share amounts before they can be paid. See finding 4.</p>
		<p>If IR35 compliance is not monitored and understood, then the relationship between the Council and its</p>	<p>IR35 compliance monitoring The contract terms state that responsibility for monitoring IR35 compliance lies with the agencies arranging the placements, and that the supplier will audit agency performance around compliance monitoring.</p>

		contractors may not be clearly defined and may be damaged if contractors are subject to HMRC fines.	Reports have been run to identify individuals at risk of IR35 non-compliance and reduce risk to those individuals. Guidance has been sent out to agency staff at the Council on IR35 legislation and how to use the HMRC IR35 self-assessment tool. No issues noted.
Agency staff request process	A process is in place which allows service areas to request agency staff to meet business needs. This process is timely, access to it is restricted to appropriate users, it incorporates appropriate sign-off of requests by members of the service area with the required delegated authority and it is easy to use.	If access is not appropriately restricted and requests for agency staff are made or authorised by people who do not have authority over the relevant budget/cost code, unanticipated costs may be incurred, leading to financial loss for the Council. If the process for requesting agency staff is not easy to use and time efficient, business need resulting from vacancies may not be met and service quality may suffer.	Agency staff system ordering Requesters set up within the agency staff system are linked to specific cost codes and can only raise orders for budgets within these codes. The requester does not have to be the budget holder in Integra, but they do have to be a manager within the service area requested. New orders are not viewed by HR, but go to the relevant director for approval. All vacancies should have a vacancy number and there is a requirement to reference this within the order request. Guidance documents are in place to ensure that the process for requesting agency staff is easy to use and efficient. See findings 8, 11 and 12.
		If vacancies cannot be filled easily using the supplier, officers may circumvent the process and recruit temporary staff through other means,	Non-supplier agency staff In theory, there should be no use of agency staff outside the supplier contract. However, instances have been noted in the supplier monitoring meeting minutes and discussions with management of agency staff being procured directly from agencies. Off-contract spend is investigated by HR if it is flagged to them as a concern.

		<p>reducing the value for money offered by the supplier contract.</p>	<p>Procurement has a process for monitoring expenditure with a single supplier in excess of £10k to ensure compliance with Contract Procedure Rules. This means that off-contract spend over the value of £10k is identified and investigated. See finding 7.</p>
		<p>If billing is not timely, delivery units may not be able to accurately record and report costs relating to agency staff and will not be able to accurately forecast their budgets.</p>	<p>Timesheets Timesheets have to be signed off by the relevant managers within the agency staff system. See finding 8.</p>
			<p>Expenses claims Expenses claims have to be signed off by the relevant managers within the agency staff system. See finding 13.</p>
			<p>Agency billings reconciliation All billing from the supplier is based on submitted agency bills based on timesheet downloads from the system. A spreadsheet showing each assignment is provided to support this billing and is agreed on a weekly basis to activity by the Procurement team. See finding 15.</p>

Appendix 6 – Internal Audit roles and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of *Temporary and Interim Workforce*, subject to the limitations outlined below.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Specifically we will not:

- review the adequacy or appropriateness of commercial arrangements in place, or the calculation of the CSG gain share agreement.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.