



Interims, Specialists and Consultants

City of York Council

Internal Audit Report 2015/16

Business Unit: Customer & Corporate Services
Responsible Officer: Director, Customer and Corporate Services
Service Manager: Head of HR & OD
Date Issued: 2nd November 2016
Status: Final
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	P1	P2	P3
Actions	0	3	0
Overall Audit Opinion	Reasonable Assurance		

Summary and Overall Conclusions

Introduction

Interims, Specialists and Consultants may be required to work with the council on bespoke project areas where the council does not have the specific skills amongst its current workforce and in instances where it fails to attract the right candidates into its vacant positions. All appointments should be made through a formal process with the correct level of authorisation. In June 2015, the council signed an agreement with NEPRO to assist the council in fulfilling these requirements.

A piece of work was carried out by Veritau in 2014/15 regarding Interims, Specialists and Consultants and a final report was issued in July 2015. It was found that although the transitional processes in place were not ideal it had brought all appointments of Interims, Specialists and Consultants clearly into the scope of human resources and procurement. Whilst at that time there was a lack of supporting evidence, the Head of Human Resources and Organisational Development was acting as the key control (in his role as gatekeeper).

Since this review, the number of Interims, Specialists and Consultants working with the council has decreased. In July 2015 there were 12 individuals working with the council in an Interim, Specialist or Consultant role. In February 2016, the Head of Human Resources and Organisational Development confirmed that 4 individuals classed as an Interim, Specialist or Consultant, were known to be working with the council and 2 of these were due to finish before the end of March.

The council also uses Work with York (a council-owned company) to fill temporary staff roles.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the council ensure that:

- There is the correct level of authorisation for all current Interims, Specialists or Consultants working with the council
- The NEPRO contract arrangements are appropriate and embedded
- There is an appropriate process for the engagement of senior temporary workers who could be considered Interims, Specialists or Consultants through Work with York

Work with York is used to engage senior temporary workers¹. Temporary workers have a different legal status to employees as defined by employment legislation. Senior temporary workers from Work with York have not been included within the scope of previous Interims, Specialists or Consultants audit work carried out. However, within the Council's current 12 Grade Structure, engagements at Grade 11 or 12 may have

¹ A 'senior temporary worker' is defined here as Grade 11 or above

similar attributes. These workers may be paid at a daily rate or through a private company, and/or may be undertaking a specialist role. The audit therefore considered the possible implications of this.

Key Findings

The council has a need to engage specialist skills and knowledge at specific times to address its business need. Whilst the number of Interims, Specialists and Consultants working with the council currently has declined since the last review was undertaken it is still important that there is a robust, open and transparent process in place so that the council can respond appropriately to any future requirements.

- It was found that the interim arrangements that were introduced in May 2014 have still not been formally implemented in a framework including the requirement for a formal business case or statement of need.
- At the time of the audit the council still had a small number of Interims, Specialists or Consultants without the correct legal agreements in place.
- The definition of what is considered to be an Interim, Specialist or Consultant is unclear. There is therefore a risk that individuals engaged through Work with York may have similar characteristics to Interims, Specialists or Consultants due to their rate of pay, method of pay, and/or the type of work they are engaged to carry out.

Overall Conclusions

The interim arrangements that were introduced in May 2014 brought all appointments of Interims, Specialists and Consultants clearly into the scope of Human Resources and Procurement. Since that time the Head of Human Resources and Organisational Development has been undertaking the role of gatekeeper. Whilst the number of Interims, Specialists or Consultants now engaged by the council is small, further improvements to the existing framework are required. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

1 Interims, Specialists and Consultants Framework Arrangements

Issue/Control Weakness

Senior Managers are not aware of the arrangements and no formal framework is in place for them to use.

Risk

Senior Managers engage third parties outside of the council's preferred framework.

Findings

Whilst the council has reduced the number of engagements with Interims, Specialists and Consultants, there will be times when the council needs to seek specific skills from outside its current work force, on a temporary basis, to work with them on specific tasks (sometimes business critical issues). However without a formal framework in place, officers may not be clear what the current processes are and appointments may be made outside the preferred framework. It was found that the interim arrangements that were introduced in May 2014 and established within the last year, have not been formally documented and communicated to officers.

These interim arrangements should now be formally adopted as the agreed process and a framework established. This will give the council greater transparency in engaging Interims, Specialists and Consultants as the requirements and approval will have been subject to a robust process. It would also be an opportunity to formally launch NEPRO. NEPRO is a consultancy specialising in the neutral provision of professional services for interim management services to the council. The council signed up to this service in June 2015 as part of the interim arrangements introduced in May 2014 to deal with the procurement of Interims, Specialists and Consultants. Since then two engagements have been sought through this route.

It was also noted that within the current framework there is a clear distinction between outcome-focused requirements (whereby the council would look to engage a consultant or consultancy services) and temporary workers (who would have a contract and a set rate).

Agreed Action 1.1

HR will establish a framework which will allow the most efficient and effective routes to market for the appointment of Interims, Specialists and Consultants, reflecting a mixed approach in the provision of suppliers, revising the May 2014 Interim arrangements as required. The requirement to complete a business case or statement of need will remain. This will then be launched to the relevant staff along with the options available (NEPRO and Work with York).

Priority

2

Responsible Officer

Head of HR & OD

Timescale

31 January 2017

2 Contractual arrangements with Current Interims, Specialists or Consultants

Issue/Control Weakness	Risk
Lack of the correct legal agreements with Interims, Specialists or Consultants.	There is no clearly defined relationship between the third party and the council.
The council has not followed its own Corporate Procurement Rules.	The risk of incomplete or incompetent work remains with the council and exposes the council to unnecessary risk (which would be mitigated by contractual arrangements).

Findings

The council introduced interim arrangements in May 2014 to deal with the procurement of Interims, Specialists and Consultants. At the time of the audit there were four Interims, Specialist or Consultants working with the council with two of these due to finish at the end of March 2016. Of these four engagements, it was found that, two contracts with the Interims, Specialist or Consultants had expired. Corporate Procurement was in discussions with the relevant directors over the ongoing arrangements and the appropriate route to market which should be undertaken.

For the other two Interims, Specialists or Consultants, who finished with the council at the end of March 2016, no contract could be found.

Agreed Action 2.1

All engagements with Interims, Specialists or Consultants should have the required documentation in place prior to or within one month of engagement. Contract Monitoring in this area will be reviewed to ensure that the Council does not expose itself to unnecessary risk.

Priority	2
Responsible Officer	Head of HR & OD
Timescale	31 January 2017

3 Definition of Interims, Specialists or Consultants

Issue/Control Weakness

There is a lack of clarity about which engagements should be treated as Interims, Specialists or Consultants.

Risk

Lack of documentation and evidence to support the engagements and numbers of Interims, Specialists or Consultants exposes the council to reputational risk.

Findings

There is a lack of clarity in relation to the engagement of Interims, Specialists and Consultants through Work with York.

A list of all staff employed through Work with York at Grade 11 or above was obtained. From this list some of the individuals were paid:

- at an hourly rate above that expected for a Grade 12
- through a limited company
- on a daily rate

Each of these circumstances could mean that the engagement should be treated as an Interim, Specialist or Consultant. In addition, some of the staff paid at Grade 11 or Grade 12 rates could reasonably be considered to be undertaking a specialist role. However, the council does not currently have an agreed definition for an Interim, Specialist or Consultant.

In the absence of a formal framework or definition the Operations Manager at Work with York is working as a control and notifying the Head of Human Resources and Organisational Development of any apparent anomalies.

Agreed Action 3.1

The council will agree on a definition for Interims, Specialists and Consultants and ensure that the same process is followed when employing these members of staff through Work with York.

Priority

2

Responsible Officer

Head of HR & OD

Timescale

31 January 2017

Annex 1

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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