



## Audit and Risk Management Committee

<b>Date:</b>	<b>Wednesday, 24 April 2019</b>
<b>Time:</b>	<b>6.00 p.m.</b>
<b>Venue:</b>	<b>Committee Room 3 - Wallasey Town Hall</b>

This meeting will be webcast at  
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### AGENDA

**1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST**

Members are asked to consider whether they have any disclosable pecuniary interests and/or any other relevant interest in connection with any item(s) on this agenda and, if so, to declare them and state the nature of the interest.

**2. MINUTES OF MEETING MONDAY, 11 MARCH 2019 OF AUDIT AND RISK MANAGEMENT COMMITTEE (Pages 1 - 14)**

**3. INTERNAL AUDIT REVIEWS: VERIFICATION OF VALIDITY OF SUPPLIER VAT REGISTRATION NUMBERS; APPOINTMENT OF AGENCY WORKERS (Pages 15 - 56)**

**4. EXEMPT INFORMATION - EXCLUSION OF THE PRESS AND PUBLIC**

The following item contains exempt information.

RECOMMENDATION – That in accordance with section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following item of business, on the grounds that it involves the likely disclosure of exempt information as defined by paragraph 1 of Part 1 of Schedule 12A (as amended) to that Act. The public interest test has been applied and favours exclusion.

**5. FORGE HOUSE ASSOCIATES (Pages 57 - 68)**

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## AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 11 March 2019

Present: Councillor AER Jones (Chair)

Councillors	RL Abbey	JE Green
	A Davies	D Elderton
	P Doughty	P Gilchrist
	J McManus	

Deputies: Councillors K Hodson (In place of T Anderson)

### 59 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members of the Committee were requested to declare whether they had any disclosable pecuniary interests and/or any other relevant interest in the item on this agenda and, if so, to declare it and state the nature of such interest.

No such declarations were made.

### 60 MINUTES

The Committee was requested to approve the accuracy of the minutes of the meeting of 28 January 2019.

**Resolved – That the minutes of the meeting of 28 January 2019, be approved.**

### 61 INTERNAL AUDIT REVIEW INTO PAYMENTS MADE TO FORGE HOUSE ASSOCIATES LTD

Mark Niblock, Chief Internal Auditor, introduced his report that provided Members of the Audit and Risk Management Committee with the outcome from an Internal Audit review, following a referral made to Internal Audit, regarding concerns that the Council had paid invoices to a company for consultancy services, that was listed on “Companies House” as dissolved and the VAT registration number used by the company was invalid.

The report informed that an initial review of concerns relating to the payment of consultancy services to Forge House Associates Limited had been undertaken by Officers within the Financial Management Team in January 2019, and as a result of the review it was recommended that Internal Audit

undertake further work in relation to concerns raised. This work had been completed by Internal Audit in early February 2019.

The findings from the Internal Audit review identified that despite the Council's procedures being followed correctly in relation to the validation of the change in bank details, ensuring the supplier invoices were arithmetically correct and that the VAT registration number was quoted on the supplier invoices, the Council had paid invoices to a company in good faith that no longer legally existed and whose VAT number has been declared invalid by the tax authorities.

The report further informed that the Internal Audit review had identified additional actions to correct the current VAT position and strengthen internal controls to prevent a reoccurrence. One recommendation in particular, that had been made and implemented during the review was to commission Internal Audit to undertake detailed reviews, to provide management with assurances regarding the efficiency and effectiveness of the systems in operation in respect of (i) the verification of the validity of supplier VAT registration numbers; and (ii) the appointment and employment status of interims/contractors.

Members highlighted concerns regarding procedures, actions and decisions in respect of this matter that were under the purview of the Chief Internal Auditor, the Director of Finance and Investment (S151) and the Chief Executive.

The Chair pointed out that a Member of the Audit and Risk Management Committee (also Member of the Employment and Appointments Committee) had raised concerns regarding this appointment at an early stage in the contract / selection process.

Members expressed views on areas of concern relating to the payments, control procedures and communication between Officers undertaking the day to day processing, Senior Management and the Chief Executive. These included, specifically:

- the taking up, and checking of references;
- when, and by whom the irregularities had been identified;
- when, and by whom the irregularities had been reported;
- whether system procedures were sufficiently robust, or just not followed;
- a 'disconnect' in communications between Officers – given that the issue had been considered by senior officers on 16 January, and that the employment appointment had been actioned by the Chief Executive on 24 January;
- why all contractors were not paid via the Council's payroll and were not managed using HMRC's IR35 tax procedures.

The Director of Governance and Assurance informed that there had been a level of disconnect between the Company's VAT element and the appointment of an individual in this case. He added that although IR35 was one method of contracting employment services, IR35 only affected contractors who did not meet HMRC's definition of self-employment and that if Committee so instructed, a follow-up report would be commissioned.

The Director of Governance and Assurance further informed of other elements to be considered when employing consultants and agency workers - either via payroll or through umbrella companies – and issues surrounding IR35 and self-employment status. These included direct employee status, market rates, equal pay issues, the contracted relationship between the contractor and the Council. He informed that advice should be sought before making such decisions and/or appointments.

The Chief Internal Auditor advised that additional work undertaken since the production of his report would also be incorporated into the follow-up report, and Internal Audit would undertake detailed reviews, to provide Councillors and management with assurances regarding the efficiency and effectiveness of the systems in operation in the following areas:

- (i) Verification of the validity of supplier VAT registration numbers; and
- (ii) Appointment and employment status of Interims/Contractors.

A Member suggested that it would be appropriate that a listing of contractors also be circulated to Members of the Audit and Risk Management Committee on a regular basis.

Members questioned the Officers further on matters relating to the timeline of this case, actions and procedures e.g. checking of invoices and works undertaken, the authorisation of invoices, amendment of bank account details, and the responsibility for investigations into VAT tax fraud.

Councillor Green added that he expected the follow-up report would seek to inform the Committee by contrasting and comparing any similarities with issues involving the same contractor at York City Council and the procedures employed there.

A Member expressed his alarm that the discussion of possible exempt items of business should occur during purdah. The Director of Governance and Assurance informed that it was entirely reasonable for the commissioned report to be discussed during purdah, however the narrowing of discussion onto specific issues of the investigation under discussion was not the purpose of the follow up report, which was to focus upon operational systems.

The Director of Governance and Assurance clarified that the work he had commissioned sought to provide Councillors with assurances regarding the efficiency and effectiveness of the systems in operation i.e. verification of the validity of supplier VAT registration numbers and the procedures for appointment and employment of Interims and Contractors.

Councillor Phil Gilchrist moved, and it was duly seconded by Councillor Jeff Green that a special meeting of the Committee be arranged as soon as possible to consider the results of the further investigations and progress with any subsequent investigatory work to answer the points raised by Members.

**Resolved (6:2) – That**

- (1) the report be noted; and**
- (2) a special meeting of the Committee be arranged as soon as possible to consider the results of the further investigations and progress with any subsequent investigatory work to answer the points raised by Members.**

62 **MEDIUM TERM FINANCIAL STRATEGY**

The Director of Finance and Investment (S151) introduced her report that provided the Audit and Risk Management Committee with a position statement on the 2017/21 Medium Term Financial Strategy (MTFS) agreed in February 2017 and progress on proposals, and to provide an updated 2019/23 MTFS as presented to Council for approval on 4 March 2019.

The report informed that the Delivering Differently programme (the programme) had been established to help meet a cumulative budget gap of £132m over the four-year period. The programme included proposals totalling £40.2m developed to help meet the budget gap, and although proposals covered the four-year span 2017/21.

The Director of Finance and Investment (S151) updated Members on the programme and information on savings proposals, as at the time of writing the report, alongside progress made to date. The programme included:

- Leisure and Cultural Services;
- Access Wirral;
- Community Safety (Safer Wirral);
- Adult Social Care Integration;
- Children’s Services Managing Demand; and
- 2019/23 MTFS (included as an appendix to the report).

Members were apprised that, in some individual cases, not all details were fully formed i.e. scheduled for the year 2021 necessitating referral back to the Cabinet for approval at an appropriate time.

**Resolved – That the report be noted.**

## 63 INTERNAL AUDIT UPDATE

Mark Niblock, Chief Internal Auditor, introduced his report that identified and evaluated the performance of the Internal Audit Service and included four items of note arising from the actual work undertaken during the period 1 January to 28 February 2019. The items of note were:

Annual Governance Statement - The Chief Internal Auditor's report informed that work was in progress, in conjunction with colleagues from Governance and Assurance (Legal), to support the preparation of the Annual Governance Statement for 2018/19. Outcomes from this work were to be reported to the Corporate Governance Group and SLT prior to consideration by Members and other stakeholders in May 2019.

Integrated Commissioning – The report informed that a joint audit review with Merseyside Internal Audit Agency (CCG Internal Auditors) had recently been completed culminating in the preparation of a position statement. Further joint audit work was planned for 2019/20, the outcomes of which were to be reported to Members of this Committee.

Merseyside Pension Fund (MPF) - The Chief Internal Auditor's report informed that, at the request of the Director of MPF, an audit had been conducted as part of the Internal Audit Plan for 2018/19 to ensure the risks associated with the proposed investment system and processes have been appropriately addressed. The review concluded that the development process for the Internal Factor Portfolio has been robust and the proposed control environment for the operation of the Portfolio was considered effective.

Regeneration Projects - The report informed that Internal Audit were providing input to key strategic initiatives on an ongoing basis supporting regeneration project initiatives, providing advice and guidance on a range of governance related issues to ensure that effective control environments were in operation. Projects included:

- Wirral Waters
- New Ferry Fund Workshop
- Markets

The Chief Internal Auditor further apprised the Audit and Risk Management Committee on outstanding audit recommendations, internal audit performance indicators and internal audit developments. He was pleased to report that, at

the time of reporting there were no outstanding items and no significant issues arising. The Chief Internal Auditor also provided examples of work underway to improve the overall efficiency and effectiveness of the Internal Audit Service.

Members questioned the Chief Internal Auditor if sufficient resources were in place to ensure that the service continued to deliver an efficient and effective service. Mr Niblock confirmed that this was the case.

**Resolved – That the report be noted.**

#### 64 **INTERNAL AUDIT ANNUAL PLAN 2019/20**

Mark Niblock, Chief Internal Auditor, introduced his report that identified the Internal Audit Plan of work for 2019/20. Work scheduled for completion had been included to reflect the findings of the extensive planning exercise recently undertaken to identify organisational risk.

The Chief Internal Auditor informed that the Internal Audit Plan (the Audit Plan), was prepared annually in accordance with the requirements of the Public Sector Internal Audit Standards, and set out details of the:

- Responsibilities and scope of internal audit
- Resourcing and delivery of the Council's internal audit service;
- Arrangements for reporting internal audit work; and
- Proposed programme of work for 2019/20 (the Audit Plan).

The Chief Internal Auditor further informed that the Audit Plan contained an explanation of how it had been prepared, a list of proposed review areas for inclusion in the forthcoming year, and how it operated on a 12 monthly cycle in line with professional best practice. He added that this aimed to ensure adequate mitigation of risk, given the dynamic nature and changeable environment the Council was currently working in, with fundamental changes in the way services were being delivered that would undoubtedly mean that the Council would face significant and different kinds of risk to those experienced in the past.

The Audit and Risk Management Committee was apprised of how assurance options were either already in place, or under development, providing direction for assessments and any actions required to implement necessary improvements. The Chief Internal Auditor highlighted the Plan's direct link to the Council's Corporate Risk Register and engagement with Senior Management's regarding the number of days allocated to each area of audit. He added that engaging closely with other organisational Heads of Audit and internal / external professionals, the audit work also closely followed the Council's corporate strategies, and policy procedures and public sector standards.

The Chief Internal Auditor re-iterated his earlier statement (re: Internal Audit Update) that the allocation of audit days, and resources available to him, were sufficient to adequately undertake the necessary audit functions and to provide his annual internal audit assurance opinion.

A Member expressed their satisfaction with the Audit Plan, endorsing the proposed actions and noted the allocation of 'contingency days' allowing flexibility in allocation of resources if required. A Member (and Chair of the Pensions Committee) highlighted his request that a separation of responsibilities be considered when dealing with audits relating to the Pension Fund. The Chief Internal Auditor informed that he would be happy to discuss the matter with the Member. Other Members of the Committee highlighted a need for continued oversight of the Council's governance arrangements and requested information on the commissioning of pieces of internal audit work. The Chief Internal Auditor informed that the Audit Plan was essentially based upon assessed risk, and input / requests from Councillors.

**Resolved – That the work proposed in the Internal Audit Plan 2019/20 be endorsed.**

## 65 INTERNAL AUDIT COUNTER FRAUD UPDATE

Mark Niblock, Chief Internal Auditor, introduced his report that provided the Audit and Risk Management Committee with an update on the activities of the Counter-Fraud Team within Internal Audit covering the Municipal Year 2018/19 to date. The report also informed that although the Counter-Fraud Team worked closely and collaboratively with the Fraud and Compliance Team within Revenues and Benefits, the report did not include the extensive specialist activities of their work which was the subject of separate report to Members.

3.1 The report highlighted that the main areas of fraud within the public sector, as highlighted by the Counter Fraud Centre, were:

- Business Rates;
- Procurement;
- Social Care and Welfare Assistance;
- Council Tax;
- Disabled Parking (Blue Badge);
- Debt;
- Insurance Claims;
- Economic and voluntary sector (grant fraud);
- Recruitment Fraud; and
- Insider Fraud – payroll / expenses/ abuse of works time or position.

3.2 The report also identified that the primary role of the Counter Fraud Team was to:

- Prepare relevant best practice policies and procedures;
- Facilitate changes to the culture of the organisation by raising awareness amongst the workforce to fraud and corruption through targeted training;
- Proactively manage the risk of fraud to the Council through targeted audits in high risk areas; and
- Provide both a proactive and a reactive response to tackling fraud across the authority.

The report further identified the activities taken by the Counter-Fraud Team that included:

- Engagement with Fraud Groups – i.e. the Mersey Region Fraud Group (MRFG) and the North West Chief Audit Executives Counter-Fraud Sub Group.
- National Fraud Initiative - the Council is required by law to participate.
- Self-Assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption – adhering to the Code of Practice on Managing the Risk of Fraud and Corruption, which although not currently mandatory, represents best practice and compliance and enables the Council to demonstrate effective financial stewardship of public monies.
- Training, Awareness and Reporting; and
- Audits and Investigations.

**Resolved – That the report be noted, and the work of the Counter Fraud Team be supported.**

## 66 **DEVELOPMENT OF THE REVISED CORPORATE RISK REGISTER**

Shaer Halewood, Director of Finance and Investment (S151) introduced her report that informed of the improved focus on the Council's most critical risks and enhancements to arrangements for managing risk. The report further informed that the leadership had a clear shared and current understanding of those risks and was fundamental to this aim. The Director of Finance and Investment reminded Members of earlier reports dated 24 September and 19 November 2018 and informed that work had been undertaken with the Strategic Leadership Team to draw out their view of the Council's most significant risks. The Director's report provided a further progress update in relation to that work.

The Audit and Risk Management Committee was apprised of plans to improve the Council's understanding of the actions taken in respect of mitigation of risk.

The Director of Finance and Investment (S151)'s report identified that the Internal Audit Plan for 2019/20 had been directly informed by the revised corporate risk register, and that how the forthcoming financial year's audits were planned to shed light on the effectiveness of existing mitigations and identify areas for improvement.

The Audit and Risk Management Committee was apprised that this work will also support the mapping of the key controls for each risk onto a 'three lines of defence' assurance model, to help aid the identification of any gaps in the control environment. The output from the exercise was to be shared with SLT and the Audit and Risk Management Committee to form part of future quarterly performance monitoring. SLT will consider each risk and decide whether it warranted addition to the Corporate Risk Register or should continue to be managed within the directorate or programme.

Director of Finance and Investment (S151) proposed that at each future meeting of the Audit and Risk Management Committee, Members consider one of the corporate risks in detail and invite the relevant officer / 'risk owner' to the meeting to explain actions taken to mitigate that risk.

Members welcomed the Director of Finance and Investment's proposal that an exercise will also be undertaken to draw out the appetite of political and executive leaders for each of the revised corporate risks.

Following discussion on the report, a Councillor Phil Gilchrist moved, and it was duly seconded that a third recommendation be added to those listed in the report, i.e. That "in the interest of continuity, arrangements be made to ensure that developments covered in Governance (*Corporate Risk Register - Risk Reference 7*) are shared across group leaderships". Following a show of hands, it was:

**Resolved – That**

- (1) the report be noted;**
- (2) Members examine one of the revised corporate risks in detail at each future meeting of the committee; and**
- (3) in the interest of continuity, arrangements be made to ensure that developments covered in Governance (*Corporate Risk Register - Risk Reference 7*) are shared across group leaderships.**

67 **MANAGEMENT OF INSURANCE AND CORPORATE RISK**

Shaer Halewood, Director of Finance and Investment (S151) introduced her report that informed of progress made in relation to key actions planned for

2018/19 - as had been reported to the Audit and Risk Management Committee at its 19 November 2018 meeting (minute 39 refers).

The report provided a regular update on the work around risk management and insurance in support of the Council's Risk Management Framework. The specific items of report were as follows:

- Corporate Risk Register (a matter of separate report on the meeting agenda);
- Improvements to the Risk Management Framework;
- Traded Services for Schools and Academies;
- Procurement of Replacement Claims Management Information System;
- Procurement of Motor Insurance and Engineering Inspection and Insurance Contracts;
- Renewal of Liability and Computer Insurance Contracts; and
- Renewal of Property, Crime, Museums All Risks and Personal Accident/Business Travel Insurance Contracts.

Members noted the report, and expressed their thanks to Mr Mike Lane, Senior Risk and Insurance Officer for his work in compiling the Risk Register.

**Resolved – That the report be noted.**

## 68 RIPA

Colin Hughes, Group Solicitor introduced his report that informed the Audit and Risk Management Committee of the outcome of an inspection on 17 December 2018 by the Investigatory Powers Commissioner. The report also invited the Members to agree to additions to the Policy and Procedure Guidance on the Council's use of covert surveillance in the light of the revised Home Office Codes of Practice and the Inspector's report.

The Group Solicitor informed the Committee on the results of an inspection held on the 17 December 2018 on the Council's use of covert surveillance by Inspector Graham White, appointed by the Investigatory Powers Commissioner (IPC). Suspected criminal offences are regulated by the Regulation of Investigatory Powers Act 2000 and subsequent legislation, known locally as 'RIPA'. Mr Hughes added that surveillance covered by RIPA had to be approved by a Magistrate after being authorised by a Senior Officer of the Council. Members were apprised that the Council was also subject to 3 yearly inspections by the IPC, which was the reason for Mr White's visit in December.

The Group Solicitor informed that Mr White's inspection had identified that authorisations for covert surveillance were of a high standard, and technical

errors identified in an earlier inspection in 2015 had been corrected. Other points highlighted by the Inspector identified that:

- Annual training provided comprehensive relevant and gave accurate and useful advice to attendees.
- Training was supplemented by regular quarterly meetings of coordinators in various departments, with legal advice provided on areas of concern.
- The central register of authorisations had been kept under regular review, and reports on the use of covert surveillance were reported to the Audit and Risk Management Committee.

Mr Hughes brought Members attention to the Council's Policy and guidance documentation attached at appendix 3 to the report had been identified as of good quality, but had required updating to take into account recently published statutory guidance from the Home Office, particularly in relation to the monitoring of Social Media, and specifically in relation to detection and prevention of criminal offences i.e. safeguarding. Mr Hughes informed Members that the updates had been actioned and Social Workers had been invited to attend annual training, delivered on 2 October 2018 and subsequently to the quarterly meetings about RIPA.

Members congratulated Mr Hughes on the work he had undertaken over the years in respect of RIPA and thanked him for his efforts in this regard.

The Director of Governance and Assurance echoed Members comments informing that such inspections, carried out by Senior Police Officers and Military Intelligence Officers, were handled most effectively.

#### **Resolved – That**

- (1) the contents of the report of the Inspector appointed by the Investigatory Powers Commissioner on the use of covert surveillance by the Council be noted and its recommendations be adopted; and**
- (2) the amendments and additions to the Policy and Procedure Document contained in Appendix 3 on the use of powers under the Regulation of Investigatory Powers Act 2000 (RIPA) be approved.**

#### **69 EXTERNAL AUDIT - WIRRAL COUNCIL AUDIT PLAN 2018/19**

Mr Stuart Basnett, Assistant Manager Grant Thornton UK LLP presented the Audit Progress Report and Sector Update that summarised key findings arising from the work that the External Auditor had carried out in the delivery

of its responsibilities as Wirral Council's external auditors, as at 15 January 2019.

Mr Basnett informed that the Audit Plan 2018/19 contained all the key elements as reported to the January meeting of the Audit and Risk Management Committee when the draft update had been presented (Minute 55 refers). Had added that there had been no change in the approach to the audit and significant risks.

Members were apprised of various aspects of the External Auditor's work, that covered the following areas of report

Significant Risks - i.e. risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error. Identified as:

- Management Override of controls;
- Valuation of property, plant and equipment; and
- Valuation of Pension net liability.

The report informed that any significant findings in these areas, or any other significant matters arising from the audit would be reported to Members in the Audit Findings (ISA 260) Report.

Materiality – The External Auditor reported that it had been determined that planning materiality was £12.986 million for the Authority, that equated to 1.8% of the Council's prior year gross expenditure. The Auditor was obliged to report uncorrected omissions or misstatements other than those which were 'clearly trivial' to those charged with governance. This figure had been set at £649 thousand.

Value for Money (VFM) Arrangements – The External Auditor's risk assessment identified the following VFM significant risks:

- Financial planning and sustainability; and
- Ofsted inspection of Children's Services.

Audit Logistics – The External Auditor reported that their interim visit had been scheduled to take place in March, with final visit to take place in June-July. Key deliverables being the Audit Plan and Audit Findings Report. The fee for the audit was £123,095 (a reduction of £36,768 on the previous year).

Independence – The External Auditor stated compliance with the Financial Reporting Council's Ethical Standard – in expressing an objective opinion on the financial statements.

Members questioned the External Auditor and the Director of Finance and Investment (S151) on the sustainability of the Council's accounts and expressed concern that the Council appeared to be relying on the sale of assets and use of 'one-offs' over the past 2 years. A Member questioned whether there had been any progress in terms of assessment of savings assumptions.

The Director of Finance and Investment (S151) informed that Council Officers were in ongoing communication and held regular meetings with the External Auditors

**Resolved – That the report be noted.**

70 **EXTERNAL AUDIT - WIRRAL COUNCIL CERTIFICATION LETTER 2017/18**

Mr Stuart Basnett, Assistant Manager Grant Thornton UK LLP presented the External Auditor's Annual Letter – Grant Certification 2017/18.

Members noted that the External Auditor had certified the Housing Benefit subsidy claim return under Public Sector Audit Appointments (PSAA) arrangements for the financial year 2017/18 relating to the expenditure of £122.08 million.

The External Auditor informed that conclusions were similar to previous years in so far as they were satisfied with the arrangements the Council had in place for this most high value and complex claim.

It was noted that the qualification compared favourably with other local authorities and had continued to record improvement compared to previous years.

The Annual Letter included 2 appendices, detailing the total value of claims and returns certified for 2017/18 and fees for certification work (£23,850).

**Resolved – That the report be noted.**

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**Audit and Risk Management Committee  
Wednesday, 24 April 2019**

<b>REPORT TITLE:</b>	<b>INTERNAL AUDIT REVIEWS: VERIFICATION OF VALIDITY OF SUPPLIER VAT REGISTRATION NUMBERS; APPOINTMENT OF AGENCY WORKERS</b>
<b>REPORT OF:</b>	<b>CHIEF INTERNAL AUDITOR</b>

**REPORT SUMMARY**

The purpose of this report is to provide Members of the Committee with the outcome from two Internal Audit reviews undertaken into the effectiveness of systems in operation at the Council for the 'Verification of the Validity Supplier VAT Registration Numbers' and the 'Appointment/Employment of Agency Workers'.

**RECOMMENDATION**

Members note the report.

## **SUPPORTING INFORMATION**

### **1.0 REASON FOR RECOMMENDATION**

1.1 To provide Members with assurances regarding the efficiency and effectiveness of systems in operation to control the following and to identify any appropriate actions required to improve systems in operation:

- The Verification of the Validity of Supplier VAT Registration Numbers,
- The Appointment/Employment of Interims/Consultants (Agency Workers).

### **2.0 OTHER OPTIONS CONSIDERED**

2.1 No other options considered.

### **3.0 BACKGROUND**

3.1 In February 2019 the Director of Governance and Assurance commissioned Internal Audit to undertake detailed reviews, to provide management with assurances regarding the efficiency and effectiveness of the systems in operation at the Council in the following areas:

- (i) Verification of the Validity of Supplier VAT Registration Numbers.
- (ii) Appointment/Employment of Interims/Consultants (Agency Workers).

### **AUDIT REVIEW – VERIFICATION OF THE VALIDITY OF SUPPLIER VAT REGISTRATION NUMBERS**

3.2 The review relating to the verification of the validity of supplier VAT registration numbers has been completed and the key findings are that:

- The Council has a system in place for inputting VAT registration numbers that satisfies the requirements of HMRC;
- The system in operation at the Council is consistent with the approach adopted by the majority of Councils across the North West of England and advice and guidance provided by professional bodies and organisations;
- Testing undertaken during the audit review identified a number of potentially incorrect VAT Registration Numbers that require further investigation by the Council and possible reporting to HMRC, pending the outcome;
- A number of actions for consideration by senior managers are included within this report that would further strengthen arrangements in this area for the future.

The Internal Audit Report – Verification of the Validity of Supplier VAT Registration Numbers is attached at Appendix A.

## **AUDIT REVIEW – APPOINTMENT/EMPLOYMENT OF AGENCY WORKERS**

3.3 The review relating to the appointment/employment of agency staff has been completed and the key findings are that the Council should undertake the following:

- Ensure that a more robust procedure/process is in place when considering and appointing agency staff;
- Strengthen controls for monitoring and managing agency/interim workers;
- Improve Contract Procedure Rules compliance when appointing agency/interim workers outside of the corporate contract;
- Ensure that an agreement (in the form of a contract or service level agreement) is always in place when appointing an agency/interim worker outside of the corporate contract;
- Strengthen controls over determining and communicating IR35 status when the corporate contract has not been utilised;
- Improve the process of raising purchase orders and subsequent payment of invoices, for agency workers appointed outside of the corporate contract.

3.4 The audit resulted in 9 recommendations to improve and develop systems of control currently in operation and a copy of the report is attached at Appendix B.

## **4.0 FINANCIAL**

4.1 There are none arising from this report.

## **5.0 LEGAL IMPLICATIONS**

5.1 There are none arising from this report.

## **6.0 RESOURCE IMPLICATIONS**

6.1 It is envisaged that the implementation of the recommendations will be carried out with existing resources.

## **7.0 RELEVANT RISKS**

7.1 Failure by Officers of the Council to implement the recommendations detailed within the Internal Audit reports, which could result in increased risk to the Council including potential errors and financial issues arising.

## 8.0 ENGAGEMENT/CONSULTATION

8.1 Internal Audit consulted with relevant Officers within the Council, has held discussions with colleagues within neighbouring Authorities and has sought guidance from HMRC.

## 9.0 EQUALITY IMPLICATIONS

9.1 There are no specific equality implications arising from this report.

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## APPENDICES

Appendix A: Audit Report – Verification of the Validity of Supplier VAT Registration Numbers.  
Appendix B Audit Report – Appointment of Agency Workers

## BACKGROUND PAPERS

None

## SUBJECT HISTORY (last 3 years)

Council Meeting	Date
ARMC	March 2019

# Internal Audit Report

## Verification of the Validity of Supplier VAT Registration Numbers.

### Business Management

April 2019

<b>Distribution List:</b>		
<b>For Action</b>		
1.	Paul Sator	Corporate Director for Business Management
2.	Phil McCourt	Director of Governance and Assurance
3.	Shaer Halewood	Director of Finance and Investment

<b>Report authorised by:</b>
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**Wirral Internal Audit Service**

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# 1. Executive Summary

- 1.1 In February 2019, Internal Audit was commissioned to evaluate the existing controls in operation regarding the validity of VAT registration numbers on Council suppliers invoices; and whether there are any current statutory or mandatory requirements imposed by HMRC on commissioning organisations.
- 1.2 The conclusions reached from the review are that:
  - 1.2.1 The current system of inputting VAT registration numbers from information provided by the supplier is the system employed by the majority of Councils throughout the North West of England area and, as there are no statutory requirements placed on the Council to verify the registration number, satisfies HMRC's requirements.
  - 1.2.2 Discussion with the HMRC confirmed that the Council is not duty bound to verify suppliers' VAT numbers but is required to report anyone suspected of committing VAT fraud directly to HMRC.
  - 1.2.3 Advice and guidance received by professional bodies is consistent with this approach.
  - 1.2.4 A number of actions have been identified in this report for consideration by senior managers that would further strengthen control arrangements in this area.

## 2. Introduction

2.1 In February 2019, Internal Audit was commissioned to evaluate the existing controls in operation regarding the validity of VAT registration numbers on Council suppliers invoices and whether there are any current statutory or mandatory requirements imposed by HMRC on commissioning organisations.

2.2 The aims of this audit review were to assess:

- Whether existing controls in this area are effective and comply with current best practice particularly with regard to checking the validity of supplier VAT registration numbers contracting with the Council;
- Whether it is necessary for the Council to introduce any additional controls to reduce the risks in the future of VAT being claimed incorrectly as a result of an invalid VAT number being provided by a company on their supplier invoice.

## 3. Audit Objective and Scope

3.1 The purpose of the report is to provide the Director of Governance and Assurance with the findings and recommendations resulting from the audit review of the documentation, assessment of existing processes and the discussions held with relevant officers.

3.2 The report focuses on the Verification of the Validity of Supplier VAT Registration Numbers and has involved discussions with relevant officers, evaluation of systems procedures and the review of appropriate documentation relating to internal processes and procedures. Outcomes and actions arising from the work are identified at section 4.

## 4. Findings

### 4.1 Current Procedures

4.1.1 The Supplier Creation / Amendment procedure is well established. Within the procedure notes it states that when creating a new supplier, '**All fields** [on the new supplier form] must be completed **including VAT number**, telephone & fax numbers, e-mail addresses etc.'

4.1.2 Under the section 'Validating a New Supplier' it states that '**all the information must be checked** and amended if incorrect' but this does not specifically mention validating the VAT number.

4.1.3 As well as the Supplier Creation / Amendment procedure, there is a 'New Supplier Form' to complete. This form requires a VAT registration number to be included (where applicable) for the supplier and is marked with an asterisk symbol denoting that completion of the box is compulsory. The form does not, however, state that a validity check should be made on the VAT registration number.

### 4.2 Advice from the Council's VAT Officer

4.2.1 Contact was made with the VAT Officer to ascertain whether there was any statutory or best practice obligation for the Council to check the VAT numbers of the companies that we (the Council) deal with either before a first payment is made or on an ongoing basis,

or is the fact that there is a VAT number provided enough to justify payment of the invoice with 'no questions asked'.

4.2.2 The reply received stated categorically that there is no actual legal requirement for the Council to verify the VAT registration number of a supplier before we conduct any business with them. The VAT Officer stated, however, that it may be viewed as "good housekeeping" to do so, but that given the size of the Councils supplier database It may not always be possible or practicable. This was confirmed by HMRC – see 4.6 below.

#### **4.3 What other Local Authorities in the area are doing.**

4.3.1 Internal Audit have contacted local Councils across the North West and established that the type of checks referred to in 4.2.2 are not common practice in these organisations. We are however aware that colleagues at one Council are about to start checking the validity of VAT numbers on the suppliers that they have on their preferred suppliers list and there are plans to introduce the verification requirement to all suppliers on an ongoing basis.

4.3.2 Enquiries made with colleagues within the Mersey Regional Fraud Group area found that only two of the 10 authorities verify new suppliers' VAT numbers only, with one of those two currently looking for additional resource to verify all suppliers' VAT numbers on a regular ongoing basis.

#### **4.4 Private Sector Organisations Checks**

4.4.1 Contact was made with the Confederation of British Industries (CBI) via email from their website. As at 26 March 2019, no reply has been received. Having contacted the CBI again on 1 April it was not possible to speak with anyone within the organisation to obtain an answer.

4.4.2 The 'VAT People' an organisation that provides specialist guidance for business were contacted to confirm what advice and guidance they currently provide to businesses regarding undertaking routine checks to confirm the validity of VAT registration numbers. They advised that they merely suggest that companies contact HMRC directly to confirm whether VAT registration numbers are valid if a problem is identified. Internal Audit have contacted HMRC directly and include their feedback at 4.6 below.

#### **4.5 Advice from Professional Financial Bodies**

4.5.1 Contact was made with the Chartered Institute of Public Finance Accountants (CIPFA) using our member's account and a reply advising that the query has been passed to CIPFA's VAT Committee for discussion/debate at a forthcoming meeting was received on 22 March 2019. Having made further enquiries, the next meeting of the CIPFA VAT Committee is not scheduled until 6 July 2019.

4.5.2 In response to a post on the CIPFA VAT Forum regarding this matter the advice was that if, having contacted the supplier and not received a valid explanation for the VAT number being invalid, the Council should refer the supplier to HMRC using the usual channel i.e. via the Customer Compliance Manager (CCM) – in Wirral Council's case, the VAT Officer. This reply was posted by a member of the CIPFA VAT Committee.

4.5.3 The advice from the Association of Accounting Technicians (AAT), through their partner company Croner Business Support, was not specifically for an organisation to undertake

any ongoing routine checks but to notify HMRC immediately if an invalid VAT number was encountered.

#### **4.6 Advice from HMRC.**

4.6.1 Contact was made with HMRC via their online help facility and the webchat identified a due diligence leaflet that offers the following advice:

- Taxable persons should not undertake due diligence and risk assessments just to satisfy HMRC but to help ensure that the business is managed effectively and to ensure the integrity of their supply chains. The due diligence and risk assessments should be reasonable and proportionate.

4.6.2 This due diligence leaflet has links to VAT Notice 726 (Joint and several liability for unpaid VAT) which gives ideas as to how to verify VAT numbers. Notice 726 suggests that an existing business should **consider** whether it is appropriate to:

- obtain copies of certificates of incorporation and VAT registration certificates;
- verify VAT registration details with HMRC; and
- check details provided against other sources, for example website, letterheads, BT landline records.

4.6.3 Notice 726 goes on to state that *'In each case, HMRC will be seeking to identify what actions or precautions you took in response to any indicators of risk. This will focus on the due diligence checks you undertook and, most importantly, the actions taken by you in response to the results of those checks'*.

4.6.4 In answer to the direct question of 'does the person paying for the suppliers' services need to verify the VAT numbers of those suppliers?' the answer was categorically 'No'.

4.6.5 Once registered for VAT purposes with HMRC, the supplier must ensure that their tax arrangements with HMRC are correct. Any failure to comply is the sole responsibility of the supplier and not any other third party organisation engaging their services, such as a Local Authority. It will be the HMRC who will take action against any supplier over any issue relating to VAT.

#### **4.7 Verification of VAT numbers of current Suppliers**

4.7.1 A management report has been prepared as part of this review identifying a total of 15,391 current suppliers. Of these, 3,395 have what is considered to be a genuine VAT number.

4.7.2 A sample of 34 (1%) was tested by Internal Audit from the 3,395 and VAT numbers tested by using the VIES (VAT Information Exchange System) website. Of the sample, 6 of the 34 were found to not be a valid VAT number. One of the six was found to be as a result of input error and so can be discounted. Consequently five entries from the sample tested (14.7%) are unverified VAT numbers. The reason that they are unverified can be varied, including:

- the companies may have legitimately re-registered with HMRC and been given a new VAT registration number that they have failed to notify us;

- the companies may have merged into a business group and be operating under a group VAT registration number and failed to notify us of that;
- the companies may have left a business group and no longer be operating under a group VAT registration number and failed to notify us of that; and
- there could be other valid explanations.

#### **4.8 Council's VAT Position in relation to companies with invalid VAT numbers**

4.8.1 From discussion with the VAT Officer it is acknowledged that the Council have accepted VAT invoices from suppliers in good faith and paid those invoices accordingly. If it is subsequently found that VAT numbers quoted are invalid it is not the fault of the Council.

4.8.2 The VAT Officer for the Council will make some further enquiries relating to the suppliers with invalid VAT numbers identified during this audit and discuss his findings with HMRC, confirming that this is the only way to identify when the VAT numbers become invalid and whether any VAT corrections are required. Advice received from HMRC states that corrections may not necessarily be required as the Council would likely not be judged to have acted incorrectly and therefore not be liable for repayment of any VAT reclaimed.

## 5. Conclusion

- 5.1 The current system of inputting VAT registration numbers from information provided by the supplier is the system employed by the majority of Councils throughout the North West of England area and, as there are no statutory requirements placed on the Council to verify the registration number, satisfies HMRC's requirements.
- 5.2 Discussion with the HMRC confirmed that the Council is not duty bound to verify suppliers' VAT numbers but is required to report anyone suspected of committing VAT fraud directly to HMRC.
- 5.3 An HMRC VAT Notice suggests that a business may want to consider obtaining prima facie and third party evidence to satisfy itself that the VAT registration number is valid.
- 5.4 Contact with the Chartered Institute of Public Finance Accountants (CIPFA) produced no response to date but, having posted a question on their VAT Forum, the advice was to report the invalid number to HMRC. Similarly, advice from the Association of Accounting Technicians (AAT), through their partner company Croner Business Support, was not specifically to introduce checks on suppliers but to merely notify HMRC immediately if an invalid VAT number is identified.
- 5.5 The 'VAT People', a private sector organisation providing specialist guidance for business confirmed that advice currently provided by them was for companies to merely contact HMRC directly to confirm if VAT registration numbers are valid if a problem is identified. No recommendation is provided by them for businesses to undertake routine checks.
- 5.6 During the review a sample of 34 suppliers (1%) was evaluated by Internal Audit from the 3,395 utilised by the Council and VAT numbers tested by using the VIES (VAT Information Exchange System) website. Of the sample, six of the 34 were found to not be a valid VAT number. One of these six was found to be as a result of input error and so can be discounted. Consequently five entries from the sample tested (14.7%) are unverified VAT numbers. The VAT Officer is making enquiries into these and may contact HMRC to discuss the cases if issues are found.
- 5.7 In light of the above the Council should consider undertaking a cost/benefit analysis to determine whether it would be appropriate to undertake some form of regular checks to validate Supplier VAT Registration Numbers. These due diligence checks may take the form of:
- Checking the validity of VAT registration numbers for all new supplier accounts and when an existing supplier makes a change to their details, such as the company bank account by:
    - obtaining copies of certificates of incorporation and VAT registration certificates;
    - verifying VAT registration details with HMRC; and
    - checking details provided against other sources, for example website, letterheads, BT landline records.
  - Undertaking spot checks to ensure that VAT registration numbers quoted on supplier invoices are valid and retaining evidence of such checks for future reference.

## **6. Next Steps**

- 6.1 Many thanks for the pro-active and assured steps taken during the end of audit process.
- 6.2 It is acknowledged that, in advance of issuing the report as final, you have taken the very positive step in formulating an achievable plan for implementing the recommendations; and this is reflected for reference within Section 7.
- 6.3 Please ensure your 'Plan for Implementation' is progressed in-line with the 'Expected Implementation Date' as detailed in Section 7.
- 6.4 Please ensure that I am kept updated of your progress in implementing the recommendations.
- 6.5 Internal Audit will undertake a follow-up audit within four months of the date of this report, so as to obtain evidence of your progress in implementing the recommendations. If you have not implemented recommendations within a reasonable timescale, the Audit and Risk Management Committee and Chief Executive will be notified. It is likely that you will be asked to attend the Committee to explain your reasons for this.
- 6.6 Your feedback is very important to us. Please complete the Customer Feedback form in Section 8, and return this with your completed report. We may contact you to discuss this.
- 6.7 Thank you for your help and co-operation during the audit. Please contact Mark Niblock if you wish to discuss the report further.

## 7. Action Plan - Recommendations

	Recommendation	Priority Level	Agreed Y/N	Plan for Implementation	Expected Implementation Date	Name of Responsible Officer
1.	<p>The Council should consider undertaking a cost/benefit analysis to determine whether it is appropriate to undertake regular checks to validate Supplier VAT Registration Numbers. These due diligence tests may take the form of:</p> <ul style="list-style-type: none"> <li>• Checking the validity of VAT registration numbers for all new supplier accounts and when an existing supplier makes a change to their details, such as the company bank account by: <ul style="list-style-type: none"> <li>○ obtain copies of certificates of incorporation and VAT registration certificates;</li> <li>○ verify VAT registration details with HMRC; and</li> <li>○ check details provided against other sources, for example website, letterheads, BT landline records.</li> </ul> </li> <li>• Undertaking spot checks to ensure that VAT registration numbers quoted on supplier invoices are valid and retaining evidence of such checks for future reference.</li> </ul>	<p>Low (A matter that requires attention and would improve the system under review)</p>	Y	<p>Checks on the validity of VAT registration numbers for all new supplier accounts and when existing suppliers make a change to their details will be made.</p> <p>If an invalid VAT number is found, the supplier will be contacted to ascertain the reason for this. Once a satisfactory explanation and relevant evidence is provided the supplier will then be added. If an explanation or relevant evidence is not provided, the supplier will not be added or in the case of existing suppliers, removed until such time as the explanation or evidence is provided.</p> <p>Spot checks for the validity of VAT numbers will be</p>	1 May 2019 following a revision of current forms to include the new necessary information/checks	Shaer Halewood / Phil McCourt.

	Recommendation	Priority Level	Agreed Y/N	Plan for Implementation	Expected Implementation Date	Name of Responsible Officer
				added. Internal Audit advice will be sought as to the frequency and number of these.		
2.	The Council should consider whether it is appropriate and cost effective to undertake checks on the whole suppliers' database to verify the validity of the 3,395 VAT numbers currently identified.	Low (A matter that requires attention and would improve the system under review)	Y	As HMRC guidance specifies that spot checks should be undertaken and this has been agreed, this recommendation will not be implemented. It is the responsibility of the supplier to ensure VAT numbers are valid and the level of resource precludes the Council from undertaking this task.	Will not be implemented.	Shaer Halewood / Phil McCourt
3.	The Council should report contractors where invalid VAT numbers are identified to the VAT Officer for investigation and possible reporting to HMRC for further investigation by them.	Medium (A matter that is significant to the system under review)	Y	Once the Council's VAT Officer has identified the reasons for the invalid VAT numbers, if any reason provides cause for concern these will be reported to HMRC for their further investigation.	Immediate, currently ongoing.	Shaer Halewood / Phil McCourt

## 8. Customer Feedback

How satisfied were you with the overall service received from Internal Audit? (please ✓ to indicate)							
Very Satisfied		Satisfied		Dissatisfied		Very Dissatisfied	
Please provide any additional comments:							

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If you would like to discuss any aspect of this audit, please contact the Chief Internal Auditor.

Completed by: ..... Signed: ..... Date: .....

# Internal Audit Report

## Appointment of Agency Workers

### Corporate-wide

### 12 April 2019

<b>Distribution List:</b>		
<b>For Action</b>		
In relation to ensuring compliance with corporate policy/process:		
1.	Eric Robinson	Chief Executive
2.	Paul Sator	Corporate Director for Business Management (including Economic and Housing Growth)
3.	Paul Boyce	Corporate Director for Children Services
4.	Nicki Butterworth	Acting Corporate Director Delivery Services
5.	Phil McCourt	Director of Governance and Assurance
6.	Graham Hodgkinson	Director for (Adult) Care & Health
7.	Shaer Halewood	Director of Finance and Investment
In relation to addressing corporate policy/process and ensuring compliance with corporate policy/process:		
8.	Nicola Boardman	Director for Change and Organisational Design
9.	Tony Williams	Head of Human Resources

<b>Report produced by:</b>
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Chief Internal Auditor
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**Wirral Internal Audit Service**

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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

We emphasise that the responsibility for a sound system of internal control rests with management, and work performed by Internal Audit may not be relied upon to identify all system weaknesses that may exist. Neither should Internal Audit be relied upon to identify all circumstances of fraud or irregularity should there be any, although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of control may not be proof against collusive fraud. Internal Audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

From 1st April 2013, new Public Sector Internal Audit Standards came into effect. These replace previous guidance and provide a coherent and consistent internal audit standards framework for the whole of the public sector. Local authorities are required to demonstrate full implementation and compliance with the Standards by 31 March 2018.

# 1. Executive Summary

- 1.1 An audit has been conducted of the 'Appointment of Agency Workers' system. Audit testing was conducted in relation to compliance against the 'Agency Workers' procedure/process documented and available via the intranet; however, a review of the associated procedures was also included.
- 1.2 The objective of the audit was to assess the robustness of the system for appointing agency workers through the corporate contract with Matrix, and the robustness of the process when the corporate contract is not utilised.
- 1.3 The key findings from the review:
  - 1.3.1 Guidance relating to appointing agency workers is available via the intranet; although streamlining and enhancing the procedure/process in place is required to further develop the system.
  - 1.3.2 A Corporate Contract is in place with Matrix SCM Ltd for providing Agency Staff. The occasions when it is required to source staff outside of this contract appear limited; however, procedures for such circumstances should be enhanced to ensure an effective and efficient process.
  - 1.3.3 Details regarding agency workers are shared on a regular basis with senior managers and Members. A robust analysis of the use of agency/interim workers, by management teams across the organisation, is required to further enhance the process.
  - 1.3.4 Contract management and ongoing contract monitoring must be strengthened; including raising purchase orders and subsequent payment of invoices, and adherence to Contract Procedure Rules when appointing agency/interim workers outside of the corporate contract.
  - 1.3.5 A member of staff has been assigned as the 'Agency Staff Project Lead', and is taking steps to drive improvements through the system. Work includes developing a standard electronic system (referred to as the DASH system) for requesting and authorising the use of agency workers.
  - 1.3.6 A process is in place through the Matrix system to retain agency worker references, although clarification of the level of detail expected, and time period to be covered is required (including for those workers appointed outside of the Matrix contract).
  - 1.3.7 An agreement (in the form of a contract or service level agreement) is required to always be put in place when appointing an agency/interim worker outside of the corporate contract, to facilitate ongoing monitoring.
  - 1.3.8 The Council has determined that all job roles and all appointments through Matrix are within the remit of IR35. It is necessary to ensure application of the guidance (available via the intranet) for all appointments when the corporate contract has not been utilised.
- 1.4 The audit resulted in 9 recommendations:

High	Medium	Low
5	2	2

## 2. Introduction

2.1 An audit has been conducted of the 'Appointment of Agency Workers' system.

2.2 At the meeting of Audit and Risk Management Committee on 11 March 2019, it was agreed: to provide Councillors and management with assurances regarding the efficiency and effectiveness of:

- Appointment and employment status of Interims/Contractors.

The definition utilised for 'Interims/Contractors' is any person appointed by the Council via an Agency (whether through the corporate contract with Matrix, or not) or a Limited Company, and who is operating in a similar capacity to a permanent staff (e.g. has a wirral.gov.uk email address/has access to corporate networks).

2.3 The audit evaluated the effectiveness of the controls within the system in mitigating the identified risks.

2.4 This report details the resulting findings and recommendations. Due to the corporate nature of the review, a draft report was issued (on 9 April 2019) for consideration by Paul Satoor (Corporate Director for Business Management), Shaer Halewood (Director of Finance and Investment) and Phil McCourt (Director of Governance and Assurance).

## 3. Audit Objectives and Scope

3.1 The objective of the audit was to review the appointment process for agency workers and, using an audit sample, verify accuracy, validity and compliance with corporate policy and procedure, and ensure good governance was in operation.

3.2 In terms of the scope, the audit focussed on reviewing:

- The procedure/process when considering the appointment of an agency member of staff.
- The procedure/process to be followed when appointing an agency member of staff (through the corporate contract or via an alternative method); and whether the procedure/process (including adherence to Contract Procedure Rules and, where appropriate, the utilisation of Procedure Rules Approval Documents (PRAD)) has been applied for a sample of cases (utilising cases in and outside of the corporate contract).
- The procedure/process for obtaining and evidencing references – and whether they appear reasonable.
- The agreement put in place when appointing an agency worker outside of the corporate contract with Matrix.
- The procedure for determining and communicating IR35 status when the Matrix contract has not been utilised (also confirming that all job

appointments through Matrix are assessed and communicated as being within IR35).

- The process applied in relation to the raising of purchase orders and subsequent payment of invoices, for agency workers appointed outside of the corporate contract.

## 4. Areas of Effective Control

- 4.1 Guidance relating to appointing agency workers is available via the intranet.
- 4.2 A Corporate Contract is in place with Matrix SCM Ltd for providing Agency Staff. The guidance available highlights the corporate contract with Matrix to be mandatory. The occasions when it is required to source staff outside of the corporate contract appear to be limited.
- 4.3 Procedure Rules Approval Documents are available, through Contract Procedure Rules, for completion, in order to approve instances when not utilising the corporate contract.
- 4.4 Details regarding agency workers are shared on a regular basis with senior managers and Members.
- 4.5 A member of staff has been assigned as the 'Agency Staff Project Lead', and is taking steps to drive improvements and efficiencies through the system.
- 4.6 Work is being undertaken to develop a standard electronic system (referred to as the DASH system) to be utilised across the organisation for requesting and authorising the use of agency workers.
- 4.7 A process is in place through the Matrix system to retain agency worker references.
- 4.8 The Council has determined that all job roles and all appointments through Matrix are within the remit of IR35. Within the Agency Workers part of the intranet is a section entitled: "IR35 Legislation Changes – effective 6 April 2017" and a link to a document highlighting what has been done by the Council and the onus on the Council to assess the role accordingly.
- 4.9 However, it should be noted that weaknesses, and opportunities to enhance the system, were identified and are highlighted within the following section of the report.

## 5. Findings and Recommendations

The audit found that there were weaknesses in the controls reviewed. The following table gives the detail of the findings, the risks and potential implications of these, and the recommendations made.

## Detailed Findings and Recommendations

Ref	Risk and Potential Implications	Finding	Recommendation	Priority Level
5.1	<p>If procedures and guidance available are not clear and robust, it is unlikely the operation of the system for appointing agency workers will be efficient and effective.</p>	<p>Guidance/process relating to 'agency workers' exists in two different areas of the intranet; firstly within "People, HR Forms, How Do I?"; and secondly within "People, Recruitment, Agency Workers". The information within these areas of the intranet is different and inconsistent.</p> <p>The guidance provided is not clear and robust. Whilst a reasonable amount of detail is included, this does not facilitate easy navigation through the process.</p> <p>The guidance available highlights the Matrix contract to be mandatory; however, there are potentially extenuating circumstances when Matrix is unable to fulfil a request. However, the guidance does not provide details of the process to be applied when this is the case.</p> <p>Procedures for executive interims/agency staff are not clear.</p> <p>There is also a need for the controls indicated within procedures to be included within the actual process e.g. within procedures it states "Once approval has been given by your Assistant Director/Head of Service and Accountancy have confirmed the</p>	<p>i) Guidance and details of the process to be applied, for appointing an agency worker, must be streamlined to one designated area of the intranet.</p> <p>ii) The guidance and procedure should be clear and robust.</p> <p>iii) The guidance should include details of the process to be applied in those extenuating circumstances where the corporate contract is unable to be utilised.</p> <p>(providing detail such as: whether recruitment through Matrix must have been attempted a certain number of times; whether agreement must be reached with Matrix to look at alternatives; what steps can be taken to bring the agency under the Matrix umbrella; whether agreement should be provided by the Matrix Contract Manager; which PRAD documentation must be completed. It must also be made clear as to the contractual arrangements and performance monitoring arrangements that must be put in place.</p> <p>iv) Procedures should fully reflect the process for</p>	<p><b>High</b></p> <p>(A matter that is <b>fundamental</b> to the system under review)</p>

Ref	Risk and Potential Implications	Finding	Recommendation	Priority Level
5.2	If agency workers are not being utilised in line with guidance, and the use of agency staff is not robustly monitored, it is likely to have a financial impact on the organisation, and may impact upon working	<p>funding, managers can log on to Matrix”; however, in practice, this authorisation process can be bi-passed, as the control is not in-built within the system.</p> <p>It has been confirmed that a new system is being developed (DASH) that will provide a complete electronic method for requesting, authorising and monitoring agency staff, in addition to the process required through Matrix.</p>	<p>appointing ‘executives’ i.e. those above equivalent scale point 74/EPO25; and the authorisation process should align to those as if it were a permanent member of staff.</p> <p>v) Where practicable, the new system should have the controls in-built to reflect the agreed process (e.g. the application should not progress through the system without relevant authorisation; potential inclusion of set-up forms such as the existing C03 forms and ICT Access Request Forms). Testing of the new system should continue; and where appropriate advice regarding risks and internal controls should be sought from Internal Audit.</p>	High  (A matter that is <b>fundamental</b> to the system under review)
		<p>It was identified that 105 agency workers were employed via the Matrix contract as at 4 March 2019 (66 of these related to Children’s Services). Nearly 50% of the appointments at that point in time had been in post for nearly 12 months or longer (52 appointments having been made prior to 1 April 2018). This does not seem to align to the guidance, in terms of the way in which agency workers should be being utilised.</p> <p>This issue was discussed with the contract lead, who confirmed it to be an issue that is being discussed with management across the organisation.</p> <p>It was confirmed that details regarding agency</p>	<p>i) The way in which agency workers are utilised must continue to be evaluated by management across the organisation. The reason for utilisation of an agency worker should be clearly documented and align to the reasons documented within procedures.</p> <p>ii) The process to evaluate the use of Agency workers across the organisation, must include providing justification as to the length of time existing agency workers have been in post (e.g. for all agency workers employed for a period greater than 12 months).</p> <p>iii) Managers should be reminded of the need to</p>	

Ref	Risk and Potential Implications	Finding	Recommendation	Priority Level
Page 38	relationships between staff operating at the same level.	<p>workers are shared on a regular basis with senior managers and Members.</p> <p>It was highlighted by the contract lead that some agency workers move posts without a new request being submitted through Matrix. Hence the details held within the system are inaccurate e.g. post being covered, manager details, which has implications regarding authorisation processes.</p> <p>It was further added, that this tends to relate to agency social workers in Children's Services where they may have to move around teams to provide necessary cover. In such cases, Human Resources highlighted that it would be disproportionate in terms of time and effort to end a placement and start a new one in Matrix. However, for agency workers in other areas of the organisation, who may be retained but change role, it would be necessary to make the necessary changes in Matrix (i.e. end the current placements and generate a new one).</p>	<p>update details in the Matrix system should an agency worker change their role. In conjunction with this, relevant managers should be requested to review and confirm whether the current details held in the Matrix system are correct.</p> <p>A decision should be taken, and included in procedures, to confirm to which roles (e.g. social workers within Children's Services) this process (i.e. ending and creating a new placement within Matrix) will not apply, and how this should be recorded to ensure robust information is utilised for monitoring and reporting purposes.</p>	Low
	5.3 If 'general housekeeping' of forms, utilised when setting-up an agency worker on Council systems, is not robust; a full	<p>A 'Request for Recruitment of Agency' template is in place (although not available via the intranet). However, the process for filing such forms, utilised in setting up agency workers on Council systems, means they are either not available for reference, or would take an imbalanced amount of time to locate.</p> <p>The removal of agency workers from the system, once they have finished, is also not robust and not</p>	i) In conjunction with reviewing process/procedures, the set-up forms for agency workers should be reviewed/ streamlined. It should be ensured the set-up forms, and necessary authorisations, are completed electronically, and retained as such for easy reference (this also links to the development of the new in-house 'DASH' system)	

Ref	Risk and Potential Implications	Finding	Recommendation	Priority Level
	audit trail is unlikely to exist, and a weakened approach to system may ensue.	always undertaken; including the notification to IT.	ii) A robust process must be put in place, and adhered to, for managers to remove agency workers from self-serve and to inform IT when the placement has ended.	
5.4	If adherence to procedure rules is not always achieved; and a contract (or service monitoring agreement) is not in place; it is unlikely the process for appointing agency/interim workers outside of the corporate contract will be effective.	<p>Whilst the process to be followed when appointing outside of the Matrix contract, is not clearly documented, and is covered in a separate recommendation; adherence to existing guidance and contract procedure rules is not always achieved in full.</p> <p>The ability to by-pass the corporate contract is also an issue, although this should be eliminated through the introduction of the corporate No Purchase Order No Pay Policy (introduced from 1 April 2019).</p> <p>When not utilising the corporate contract, issues were identified relating to the completion of some Procedure Rules Approval Documents (PRADs):</p> <ul style="list-style-type: none"> <li>- Contract periods were not always covered by a PRAD 1 (Exceptions to Contract Procedure Rules).</li> <li>- Where a breach has occurred, a PRAD 6 – Breach Reporting, had not always been completed.</li> <li>- Authorisation on some PRADs was subsequent to the start date of the contract (albeit only by a couple of days).</li> <li>- Dates stated on the Chest (the web-based system</li> </ul>	<p>i) Adherence to the procedures (which need to be reviewed – included in prior recommendation) should be monitored and appropriate action taken in relation to cases of non-adherence.</p> <p>ii) Contract management and ongoing contract monitoring must be strengthened.</p> <p>This should include:</p> <p>a) Ensuring a PRAD has been completed and authorised in advance, to cover the contract period.</p> <p>b) Details recorded on the Chest should be accurate. Details entered should be checked for accuracy, and amended if necessary. It should also be ensured that all relevant supporting documentation is uploaded and available to view.</p> <p>c) Ensuring a formal contract is in place between the Council and the contractor; against which performance should be monitored.</p>	<p><b>High</b></p> <p>(A matter that is <b>fundamental</b> to the system under review)</p>

Ref	Risk and Potential Implications	Finding	Recommendation	Priority Level
		<p>the Council utilises for handling tender opportunities) did not always correspond fully to the details on the PRAD (although it was explained this is because for contracts shorter than 12 months they need to be entered as a 12 month contract for spend monitoring purposes).</p> <p>A formal contract (or something along the lines of a Service Level Agreement) was not always in place between the Council and the company providing the agency/interim worker.</p>		
<p>15.5</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 40</p>	<p>If adherence to procedure rules is not always achieved; and contracts, outside of the corporate contract for agency/interim staff, are not always monitored in a robust manner, it is unlikely the Council will achieve maximum value for money through such a</p>	<p>When not utilising the corporate contract, issues were identified:</p> <p>a) where a Procedure Rules Approval Document (PRAD) had been completed, the associated Purchase Order had not always been raised to align to its value.</p> <p>b) even in instances where a Purchase Order had been raised against the value of the completed PRAD, payments were sometimes made as 'freestanding'.</p> <p>It is acknowledged application and adherence to the corporate No Purchase Order No Pay Policy (implemented on 1 April 2019) should eliminate this issue.</p> <p>c) payments do not appear to always be monitored in</p>	<p>i) Contract management and ongoing contract monitoring must be strengthened.</p> <p>This should include:</p> <p>a) ensuring Purchase Orders are always raised to align to the value of the contract/PRAD.</p> <p>b) ensuring payments are always made against the Purchase Order aligned to the contract/PRAD.</p> <p>Under no circumstances should invoices be paid as freestanding.</p> <p>Application and adherence to the corporate No Purchase Order No Pay Policy (implemented on 1 April 2019) is imperative.</p>	<p><b>High</b></p> <p>(A matter that is <b>fundamental</b> to the system under review)</p>

Ref	Risk and Potential Implications	Finding	Recommendation	Priority Level
Page 41	process.	<p>a robust manner, to ensure they align to the details included on the PRAD, and ultimately delivery of the contract (e.g. the duration of the contract as per the PRAD is 12 months; however, the amount paid 6 months in to the contract is close to the full value stated on the PRAD). Hence without such monitoring, the likelihood of incurring additional costs, and not completing the necessary PRAD, will increase.</p> <p>d) Invoices submitted did not always contain an appropriate level of detail to clarify the specific work undertaken; and receipts were not always attached to the invoice when claiming expenses (n.b. it was assumed such a level of detail would be required and that expenses would be allowable, in the absence of a contract to determine otherwise).</p>	<p>c) monitoring payments to ensure they align to work progressed against the contract, and hence the value of the contract/PRAD.</p> <p>If it appears payments are going to exceed the value of the original contract/PRAD, investigations should be undertaken, and, if the original value is to be exceeded, an additional PRAD should be completed and authorised.</p> <p>d) ensuring invoices submitted contain an appropriate level of detail to clarify the work undertaken; that receipts are always submitted where expenses are claimed (assuming they are allowable as part of the contract); and that the invoice is fully reviewed prior to authorisation.</p>	
5.6	If weaknesses exist in the process of becoming a user of the corporate agency worker request system, the potential for ineffective administration is likely to increase.	<p>When authorising a request to become a user of the Matrix system, the verification process appears to be limited (e.g. the manager, of the person requesting access, is not required to provide authorisation).</p> <p>This means, technically someone could register as a user of the Matrix system and raise an order for an agency worker. It would be hoped that controls further 'down the line' in the system would prevent this leading to the possibility of fraudulent activity (though potentially not, depending upon the seniority of the officer).</p>	<p>A more robust process should be put in place to register 'managers' on the matrix system.</p> <p>Assuming the authorisation process is unable to be in-built (or not easily in-built) in to the Matrix system (as it is not a custom built system to Wirral Council); it would seem prudent to include a formal authorisation process when the registration request is sent through from Matrix (i.e. authorisation should be requested, potentially in the form of an email, from the manager of the person being set-up on the system).</p>	<p>Low</p> <p>(A matter that requires attention and would improve the system under review)</p>

Ref	Risk and Potential Implications	Finding	Recommendation	Priority Level
		<p>(n.b. this issue also links to the finding at 6.7)</p> <p>Please note that there was no evidence of this happening in any of the cases reviewed; it was just an observation of the system.</p>		
5.7	<p>If a separation of duties can be by-passed when raising and authorising a request for an agency worker, the potential for ineffective administration is likely to increase.</p>	<p>Within the Matrix system it is possible for the same person to raise and authorise a request for an agency worker – hence a separation of duties is not in place. It is acknowledged the Matrix system is utilised across the country in a variety of sectors (and having such controls within the system could be a hindrance to many other organisations), so it is important and necessary for internal procedures to be robust.</p> <p>At present the internal process for authorising an agency worker is not robust (n.b. this issue is highlighted within the finding/recommendation at 6.1; and it is acknowledged that significant steps are being made to introduce a new electronic system). Potentially the person raising and authorising a request for an agency worker could also be the budget holder. The same person would also be the person to sign-off the timesheets.</p> <p>Please note that there was no evidence of this happening in any of the cases reviewed; it was just an observation of the system.</p>	<p>It must be ensured that a separation of duties is in place within the process for raising and authorising a request for an agency worker.</p> <p>It is acknowledged it has been stated this is not possible within the Matrix system; however, it is expected through the in-house (DASH) system being developed, that the initial request will only proceed once approved (so, in effect, the same person could generate and subsequently authorise the request in Matrix; with an electronic in-house approval layer in-between; thus providing a separation of duties)</p>	<p><b>Medium</b></p> <p>(A matter that is <b>significant</b> to the system under review)</p>

Ref	Risk and Potential Implications	Finding	Recommendation	Priority Level
5.8	If it is unclear as to the level of detail and period to be covered, for references of all agency/interim workers, inconsistencies will be present and likelihood of appointing someone without the necessary pedigree, is likely to increase.	It is unclear as to the minimum level of detail required for references when appointing an agency/interim worker. This is particularly relevant when appointing an agency/interim worker outside of the corporate contract with Matrix. 5 cases processed through the Matrix system were reviewed and it was identified for the 3 recent appointments, the level of detail and time period covered (5 years) was substantial. For the two 'historic' cases – in one case, no reference was shown on the system as they had been transferred over from the old system (having been appointed over 7 years ago); and in the other case one reference was saved on the Matrix system which simply confirmed previous employer and dates employed.	i) It should be clarified and confirmed as to the period (i.e. length of time to be covered), and level of detail, required for references for agency workers.  (This will also require engagement/ discussion with Matrix; n.b. recent examples highlighted appropriate level of detail and a 5 year employment history).  ii) The requirements expected for references should be implemented in practice; and commissioning managers should alert the contract manager and Matrix where details appear inadequate.  iii) Agreed reference requirements should be included in policy/ procedures, so as to ensure application and adherence to agency appointments outside of the Matrix contract.	<b>Medium</b>  (A matter that is <b>significant</b> to the system under review)
5.9	If the Council does not assess IR35 status when appointing a consultant/interim/agency outside of the Matrix contract, the Council will	Robust and clear procedures are not in place to outline the process when not utilising Matrix to appoint an agency worker, including the need to assess IR35 status.  Within the Agency Workers part of the intranet is a section entitled: "IR35 Legislation Changes – effective 6 April 2017" and a link to: You can read more information on the IR35 changes here. This document highlights what has been done by the	i) It must be ensured that IR35 status is appraised and details recorded for all agency/interims/ contractors operating outside of the Matrix contract (irrespective of whether it is through an agency or a ltd company).  ii) Procedures should further clarify the requirement regarding IR35 status; who is responsible (currently the employing manager) for ensuring the assessment is completed and	<b>High</b>  (A matter that is <b>fundamental</b> to the system under review)

Ref	Risk and Potential Implications	Finding	Recommendation	Priority Level
Page 44	not fulfil its requirement as outlined by HMRC.	<p>Council and the onus on the Council to assess the role accordingly.</p> <p>Whilst this is extremely useful, and necessary, it is not formulated in easy to follow procedures for appointing a consultant/interim/agency outside of the Matrix contract (and the need to evaluate the IR35 status).</p> <p>In the nine of the eleven cases of agency/interim workers identified outside of the Matrix contract, it was confirmed through conversations with the relevant managers that the post/person was considered to be within the remit of IR35. The managers explaining that by looking at the invoices from the agencies – necessary deductions were being made. However, it should be noted that in no case was there evidence of a formal assessment (or utilisation of existing assessments).</p> <p>In the other two cases it was unclear; and it was confirmed that no IR35 assessment had been undertaken by the Council.</p>	communicated; and where details of the assessment should be stored.	

## 6. Next Steps

- 6.1 Many thanks for the pro-active and assured steps taken during the end of audit process.
- 6.2 It is acknowledged that, in advance of issuing the report as final, you have taken the very positive step in formulating an achievable plan for implementing the recommendations; and this is reflected for reference within Section 7.
- 6.3 Please ensure your 'Plan for Implementation' is progressed in-line with the 'Expected Implementation Date' as detailed in Section 7.
- 6.4 Please ensure that I am kept updated of your progress in implementing the recommendations.
- 6.5 Internal Audit will undertake a follow-up audit within four months of the date of this report, so as to obtain evidence of your progress in implementing the recommendations. If you have not implemented recommendations within a reasonable timescale, the Audit and Risk Management Committee and Chief Executive will be notified. It is likely that you will be asked to attend the Committee to explain your reasons for this.
- 6.6 Your feedback is very important to us. Please complete the Customer Feedback form in section 8, and return this with your completed report. We may contact you to discuss this.
- 6.7 Thank you for your help and co-operation during the audit. Please contact Mark Niblock if you wish to discuss the report further.

## 7. Action Plan - Recommendations

Report Ref	Recommendation	Priority Level	Agreed Y/N	Plan for Implementation	Expected Implementation Date	Responsible Officer
5.1	<p>i) Guidance and details of the process to be applied, for appointing an agency worker, must be streamlined to one designated area of the intranet.</p> <p>ii) The guidance and procedure should be clear and robust.</p> <p>iii) The guidance should include details of the process to be applied in those extenuating circumstances where the corporate contract is unable to be utilised.</p> <p>(providing detail such as: whether recruitment through Matrix must have been attempted a certain number of times; whether agreement must be reached with Matrix to look at alternatives; what steps can be taken to bring the agency under the Matrix umbrella; whether agreement should be provided by the Matrix Contract Manager; which PRAD documentation must be completed. It must also be made clear as to the contractual arrangements and performance monitoring arrangements that must be put in place.</p> <p>iv) Procedures should fully reflect the process for appointing 'executives' i.e. those above equivalent scale point 74/EPO25; and the authorisation process</p>	<p>High</p> <p>(A matter that is fundamental to the system under review)</p>	Y	<p>New procedures and guidance are currently being developed and will be published on the intranet</p> <p>A communication campaign will ensure that all Managers are aware of the new procedures</p> <p>A new agency approval process will be implemented via the DASH system to ensure Matrix requests can only be commissioned following corporate authorisation</p> <p>Details of all agency workers</p>	13 May 19	Head of Human Resources / Agency Staff Project Lead

Report Ref	Recommendation	Priority Level	Agreed Y/N	Plan for Implementation	Expected Implementation Date	Responsible Officer
	<p>should align to those as if it were a permanent member of staff.</p> <p>v) Where practicable, the new system should have the controls in-built to reflect the agreed process (e.g. the application should not progress through the system without relevant authorisation; potential inclusion of set-up forms such as the existing C03 forms and ICT Access Request Forms). Testing of the new system should continue; and where appropriate advice regarding risks and internal controls should be sought from Internal Audit.</p>			<p>will be recorded and maintained on the HR system via Manager Selfserve</p> <p><b>HR Business Partners and Operations Team will monitor agency usage and report progress/issues to monthly DMTs</b></p> <p><b>The Agency Staff Project Lead will work closely with Services to monitor agency usage and alternative options</b></p>		
5.2	<p>i) The way in which agency workers are utilised must continue to be evaluated by management across the organisation. The reason for utilisation of an agency worker should be clearly documented and align to the reasons documented within procedures.</p> <p>ii) The process to evaluate the use of Agency workers</p>	<p>High</p> <p>(A matter that is <b>fundamental</b> to the system under review)</p>	Y	<p><b>Prior to any agency request, the alignment of recently appointed HR Business Partners to Service areas</b></p>	13 May 19	<p><b>Head of Human Resources / Agency Staff Project Lead</b></p>

Report Ref	Recommendation	Priority Level	Agreed Y/N	Plan for Implementation	Expected Implementation Date	Responsible Officer
Page 48	<p>across the organisation, must include providing justification as to the length of time existing agency workers have been in post (e.g. for all agency workers employed for a period greater than 12 months).</p> <p>iii) Managers should be reminded of the need to update details in the Matrix system should an agency worker change their role. In conjunction with this, relevant managers should be requested to review and confirm whether the current details held in the Matrix system are correct.</p> <p>A decision should be taken, and included in procedures, to confirm to which roles (e.g. social workers within Children's Services) this process (i.e. ending and creating a new placement within Matrix) will not apply, and how this should be recorded to ensure robust information is utilised for monitoring and reporting purposes.</p>			<p><b>will assist Managers regarding alternative resourcing options</b></p> <p><b>Agency usage will be monitored by HR, Procurement and Finance and reported to monthly DMTs</b></p> <p><b>The business case will need to be robust and will be challenged and approved by a corporate panel</b></p> <p><b>The matrix system does not allow managers to change the reason during the engagement If a role changes, the former arrangement</b></p>		

Report Ref	Recommendation	Priority Level	Agreed Y/N	Plan for Implementation	Expected Implementation Date	Responsible Officer
				should be ended and a fresh approval process will need to be made		
5.3	<p>i) In conjunction with reviewing process/ procedures, the set-up forms for agency workers should be reviewed/ streamlined. It should be ensured the set-up forms, and necessary authorisations, are completed electronically, and retained as such for easy reference (this also links to the development of the new in-house 'DASH' system)</p> <p>ii) A robust process must be put in place, and adhered to, for managers to remove agency workers from self-serve and to inform IT when the placement has ended.</p>	<p>Low</p> <p>(A matter that requires attention and would improve the system under review)</p>	Y	<p>A new agency approval process will be implemented via the DASH system to ensure Matrix requests can only be commissioned following corporate authorisation</p> <p>Details of all agency workers will be recorded and maintained on the HR system via a new Manager Selfserve process and HR Operations QA and monitor this</p>	13 May 19	Head of Human Resources

Report Ref	Recommendation	Priority Level	Agreed Y/N	Plan for Implementation	Expected Implementation Date	Responsible Officer
5.4	<p>i) Adherence to the procedures (which need to be reviewed – included in prior recommendation) should be monitored and appropriate action taken in relation to cases of non-adherence.</p> <p>ii) Contract management and ongoing contract monitoring must be strengthened.</p> <p>This should include:</p> <p>a) Ensuring a PRAD has been completed and authorised in advance, to cover the contract period.</p> <p>b) Details recorded on the Chest should be accurate. Details entered should be checked for accuracy, and amended if necessary. It should also be ensured that all relevant supporting documentation is uploaded and available to view.</p> <p>c) Ensuring a formal contract is in place between the Council and the contractor; against which performance should be monitored.</p>	<p>High</p> <p>(A matter that is <b>fundamental</b> to the system under review)</p>	Y	<p>The new DASH approval process will eliminate the ability for officers to act outside of the agreed procedure</p> <p>Managers will be formerly held to account for the use of agency</p> <p>The new procedures will ensure these processes are clearly explained and understood</p> <p>All placements outside of matrix will be through the Agency Staff Project Lead who will monitor with HR and Finance colleagues</p>	13 May 19	Agency Staff Project Lead

Report Ref	Recommendation	Priority Level	Agreed Y/N	Plan for Implementation	Expected Implementation Date	Responsible Officer
5.5	<p>i) Contract management and ongoing contract monitoring must be strengthened.</p> <p>This should include:</p> <p>a) ensuring Purchase Orders are always raised to align to the value of the contract/PRAD.</p> <p>b) ensuring payments are always made against the Purchase Order aligned to the contract/PRAD.</p> <p>Under no circumstances should invoices be paid as freestanding.</p> <p>Application and adherence to the corporate No Purchase Order No Pay Policy (implemented on 1 April 2019) is imperative.</p> <p>c) monitoring payments to ensure they align to work progressed against the contract, and hence the value of the contract/PRAD.</p> <p>If it appears payments are going to exceed the value of the original contract/PRAD, investigations should be undertaken, and, if the original value is to be exceeded, an additional PRAD should be completed and authorised.</p>	<p>High</p> <p>(A matter that is <b>fundamental</b> to the system under review)</p>	Y	<p>All placements outside of matrix will be through the Agency Staff Project Lead who will monitor payments with Finance colleagues</p>	13 May 19	Agency Staff Project Lead

Report Ref	Recommendation	Priority Level	Agreed Y/N	Plan for Implementation	Expected Implementation Date	Responsible Officer
	d) ensuring invoices submitted contain an appropriate level of detail to clarify the work undertaken; that receipts are always submitted where expenses are claimed (assuming they are allowable as part of the contract); and that the invoice is fully reviewed prior to authorisation.					
5.6	<p>A more robust process should be put in place to register 'managers' on the matrix system.</p> <p>Assuming the authorisation process is unable to be in-built (or not easily in-built) in to the Matrix system (as it is not a custom built system to Wirral Council); it would seem prudent to include a formal authorisation process when the registration request is sent through from Matrix (i.e. authorisation should be requested, potentially in the form of an email, from the manager of the person being set-up on the system).</p>	<p>Low</p> <p>(A matter that requires attention and would improve the system under review)</p>	Y	Only Managers on the Approved User List may place an order using Matrix. Any requests to become a Matrix User must be made and sanctioned via the Agency Staff Project lead. It is not possible to register on Matrix unless you are an authorised User	13 May 19	Agency Staff Project Lead
5.7	<p>It must be ensured that a separation of duties is in place within the process for raising and authorising a request for an agency worker.</p> <p>It is acknowledged it has been stated this is not</p>	<p>Medium</p> <p>(A matter that is significant to the system under review)</p>	Y	The new agency approval process will ensure that no Manager is able to request and authorise	13 May 19	Agency Staff Project Lead

Report Ref	Recommendation	Priority Level	Agreed Y/N	Plan for Implementation	Expected Implementation Date	Responsible Officer
	possible within the Matrix system; however, it is expected through the in-house (DASH) system being developed, that the initial request will only proceed once approved (so, in effect, the same person could generate and subsequently authorise the request in Matrix; with an electronic in-house approval layer in-between; thus providing a separation of duties)			independently of without line manager knowledge		
5.8	<p>i) It should be clarified and confirmed as to the period (i.e. length of time to be covered), and level of detail, required for references for agency workers.</p> <p>(This will also require engagement/ discussion with Matrix; n.b. recent examples highlighted appropriate level of detail and a 5 year employment history).</p> <p>ii) The requirements expected for references should be implemented in practice; and commissioning managers should alert the contract manager and Matrix where details appear inadequate.</p> <p>iii) Agreed reference requirements should be included in policy/ procedures, so as to ensure application and adherence to agency appointments outside of the Matrix contract.</p>	<p>Medium</p> <p>(A matter that is significant to the system under review)</p>	Y	<p>References are provided by Matrix in line with the contract.</p> <p>We will engage with Matrix to ensure requirements are understood</p> <p>Procedures and guidance will require Managers to report inadequate references to Agency Staff Project Lead who will follow up with Matrix</p>	30 June 19	Agency Staff Project Lead

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Report Ref	Recommendation	Priority Level	Agreed Y/N	Plan for Implementation	Expected Implementation Date	Responsible Officer
				References for appointments outside Matrix will be undertaken in accordance with the normal recruitment policy		
5.9	<p>i) It must be ensured that IR35 status is appraised and details recorded for all agency/ interims/ contractors operating outside of the Matrix contract (irrespective of whether it is through an agency or a ltd company).</p> <p>ii) Procedures should further clarify the requirement regarding IR35 status; who is responsible (currently the employing manager) for ensuring the assessment is completed and communicated; and where details of the assessment should be stored.</p>	<p>High</p> <p>(A matter that is <b>fundamental</b> to the system under review)</p>	Y	All appointments outside Matrix will require a copy of the HMRC assessment questionnaire which will be completed by the Manager and quality assured by HR and the Agency Staff Project Lead. The QA'd version will be stored in a central repository	13 May 19	Agency Staff Project Lead

## 8. Customer Feedback

How satisfied were you with the overall service received from Internal Audit? (please ✓ to indicate)							
Very Satisfied		Satisfied		Dissatisfied		Very Dissatisfied	
Please provide any additional comments:							

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If you would like to discuss any aspect of this audit, please contact the Chief Internal Auditor.

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