



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS
COMMITTEE
DATE 7 DECEMBER 2006**

Report of the Director of
Corporate and Adult Social
Services

ITEM 8

AUDIT REPORT – RECRUITMENT AGENCY CONTRACT

RECOMMENDATION

- 1.1 To note the report.

SUPPORTING INFORMATION

- 2.1 At its meeting on 25 October 2006, the Committee requested that it wished to have the opportunity to review in greater detail the audit report on the Recruitment Agency Contract and discuss the findings of the report with the managers responsible for the service.
- 2.2 Appendix 2 is a report which briefs members on the actions taken since the publication of the audit report, in particular the progress that has been made on the implementation of recommendations contained within the audit report.
- 2.3 From the information I am satisfied progress is being made to implement the recommendations and the suggested actions. However the contract has wider implications for the Council which need further debate. The Committee will be informed of future progress in respect of this audit.

For more information contact:

Background papers:

None

List of appendices:

Appendix 1 – Implications

Appendix 2 – Report of Assistant Director Human Resources

IMPLICATIONS

Financial

1. None directly arising.

Legal

2. None directly arising.

Personnel

3. None directly arising.

Equalities impact

4. None directly arising.

Corporate objectives and priorities for change

5. None directly arising.

Internal Audit Review of the Council's Employment Agency Contract

- 3.1 Following an internal audit review of the above service, we agreed to implement three recommendations. Progress to date on the implementation process is shown in Table 1 at the end of this report.
- 3.2 The original audit report issued on 11 July 2006 contained three recommendations which were all agreed. It was expected that the recommendations would take between three to six months to implement.
- 3.3 The original agreed action plan and timescale for implementation of the recommendations was realistic and work was started to do this. However the officer responsible for taking the lead in doing so was absent from work for four months and only returned full-time in the middle of October 2006 and there was no resource available to take on this task. Therefore some of the recommendations are still in the process of being implemented.
- 3.4 There has been progress against each recommendation and this is detailed as follows.
- 3.4.1 Recommendation 1 – performance monitoring
- Market information should be sought wherever possible.
- 3.4.2 At the time of researching options to deliver temporary staff to the Council, the option of dealing with the supply of temporary staff internally was explored and the decision was taken by Chief Officers that the Council did not have the resources internally to contact all suppliers to discuss and negotiate rates. The decision was taken that this work would be undertaken by Comensura on our behalf.
- 3.4.3 Some discussions have taken place with other authorities about contracts they have with Comensura or other suppliers. However the financial detail of these contracts is commercially sensitive and therefore we do not have access to the information to determine how competitive rates are.
- 3.4.4 The contract was awarded following a tender process and Comensura were appointed by a joint consultative panel representing Technical Finance, Procurement, Human Resources and each department.
- Savings should be reviewed at six and nine months following the start of the contract.
- 3.4.5 The contract started on 20 March 2006. A review meeting was held on 27 September 2006 at which the identified savings were £76,000.
- A sample of invoices from Comensura should be checked.
- 3.4.6 The electronic invoice is dealt with by the Business Systems section and processed according to the Council's Financial Procedure Rules. It was agreed that ten lines of the Comensura invoice would be checked and this has not yet been done but a process for doing so will be implemented by the end of November 2006.

- 3.5 Recommendation 2 – Temporary staff are still being recruited outside the contract. Efforts should be made to ensure that agencies are not contacted directly and managers still doing so should be asked to explain why.
- 3.5.1 Communication about the contract was initially sent to managers at the start of the contract. Following the Audit report in July 2006, communication was sent out again on 19 July 2006 to remind managers about the need to request temporary staff through the contract. This issue was discussed at the review meeting on 27 September 2006 and the notes and agreed actions were sent out about this shortly after the meeting. Further communication with managers about this issue along with other important information was planned as a result of the review meeting and has been prepared and will be released by the end of November 2006.
- 3.5.2 There are some exceptions to the contract that were agreed at the start – teaching supply, refuse collection, market and public convenience cleaning and grounds maintenance. Further exceptions have been agreed in cases where it has not been possible to get supply through the contract – nursery staff being one of these.
- 3.5.3 Managers who have ordered through the Comensura system are responsible for ensuring they do not pay agency invoices and Finance teams in departments are also aware and check agency invoices that are received.
- 3.6 Recommendation 3 – steps should be taken to reduce the number of timesheets that are auto-authorised by the system each week.
- 3.6.1 The system auto-authorises where managers or their delegated timesheet approvers are not able to access the system on Mondays to authorise the timesheet. In most cases this is a straightforward process because the timesheet approvers have been selected because they are available to do this on Mondays.
- 3.6.2 Research has shown that the high amount of auto-authorisations occurred in Social Care establishments where the managers/timesheet approvers are working shift patterns which could result in a manager not being in work to authorise their temporary employee's timesheet on a Monday. Steps have been taken to create generic users in these establishments so that the duty manager in work on Mondays can do this and therefore this should reduce the auto-authorisations.
- 3.6.3 It is important to note however that even where a timesheet is auto-authorised, managers should still access the system during the week to check it is accurate and arrange for any adjustments to be made.
- 4.1 The recommendations by Audit were accepted and have been or are in the process of being implemented however there are issues that require further debate following the implementation of this contract.
- 4.1.1 The issue of temporary supply of staff to the Council was originally explored following a request by Scrutiny Management Commission because the Council was using many agencies for temporary staff and had no system in place for controlling consistency in charging or quality.
- 4.1.2 The identified expenditure was around £2.5 million however during implementation of the contract it was found that there had been mis-coding of expenditure on

temporary staff by managers and it is thought that a more realistic figure is around £4 million.

- 4.1.3 The Comensura system has given us information about all of our suppliers and their charges and the reasons why we are using temporary staff across the Council. The system has also meant that we achieved £76,000 in savings in the first six months.
- 4.1.4 However there have been problems, some created internally and some by Comensura. Feedback from managers is that the system is inflexible and not user-friendly and that they have difficulty getting help from the Comensura service centre staff and the Corporate Recruitment Adviser is spending up to two hours every day dealing with queries.
- 4.1.5 To make sure managers only order on their cost code, the system is set up so that there are identified ordering managers and timesheet approvers against each cost code. Managers can request as many ordering managers as they wish and we are finding that they need more, for instance to cover absences. The change control process is slow and difficult and this is frustrating when managers need to order staff quickly.
- 4.1.6 The pay rates that were set up for managers to request were arrived at by consulting with departments. We have found that some job categories were missed or some of the pay rates were not included. Work is needed to identify these and add them to the system.
- 4.1.7 The Account Manager at Comensura is excellent and does resolve problems as quickly as possible. However when she is absent or in meetings, the service received from the covering account management and the service centre staff is poor.
- 4.1.8 To try to resolve these problems we will be communicating with managers during November and December to identify whether any more ordering managers and/or timesheet approvers are needed and to identify additional job categories and pay rates that are not yet available on the system.
- 4.1.9 The Corporate Recruitment Adviser was due to have a meeting with the Account Manager and the General Manager at Comensura on 21 November to raise issues about the poor service received from Comensura staff.
- 4.1.10 If problems persist and the benefit of the cost savings outweighs the time wasted by managers dealing with the system then the Council will need to take a decision about whether to give the required three months' notice to terminate the contract and it is considered appropriate to make this decision at the end of the first year of the contract on 20 March 2007.

Table 1 - Summary Of Progress Made In Implementing Audit Recommendations

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
1	<p>Significant</p> <p>Arrangements for monitoring the performance of the contract have yet to be determined.</p> <p>We recommend that the following performance monitoring should be undertaken:</p> <ul style="list-style-type: none"> •Market information should be sought, wherever practicable, to assess the appropriateness of the benchmark data specified in the contract. •At 6 and 9 months following the start of the contract, the savings to date should be evaluated in conjunction with the Technical Finance section, and a judgement made as to the most appropriate course of action. •A sample of invoices from Comensura should be chosen each month and checked to ensure that the Council is being charged as outlined in the contract. 	<p>The benchmark price for each category of temporary labour was set as the historic figure of the rate the Council were paying in the four months prior to the commencement of the Comensura contract. It was agreed by Accountancy as being an accurate reflection of the price we were paying for these posts and would, therefore, be used throughout the first year of the contract as the basis of the calculation of the saving achieved through the use of the Comensura system.</p> <p>It was agreed through the tender process that we would have a shared savings remuneration system for the first 12 months and that we would be able to review this option at the end of the first year of the contact and decide if we wish to transfer to a management fee instead.</p> <p>It would be anticipated that as we come towards the latter part of the first year of the contract that we would seek information to ascertain whether the level of mark up that is being managed through the Comensura arrangement remains competitive.</p> <p>Benchmark rates for temporary staff will be assessed annually but these are to reflect market forces of temporary staff and cannot be driven downwards continually. Current rates have been agreed between Comensura and the council. Assessment of value for money will need to be carried out by other means such as checking against other authorities in the local vicinity.</p> <p>Savings information provided by Comensura can be</p>	Being Implemented

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		<p>checked departmentally and assessed against those predicted during the first year at timings to be agreed with Technical Finance.</p> <p>I would agree to the recommendation of monitoring invoices and would suggest the checking of the rates of 10 lines of a Comensura invoice every month.</p>	
2	<p>Merits Attention</p> <p>There are indications that temporary staff are still being recruited directly through agencies. There is also a risk that the invoice processing system may not prevent both Comensura and the relevant recruitment agency being paid for the same temporary employee.</p> <p>We recommend that efforts are made to ensure that recruitment agencies are no longer contacted directly. Management information should be obtained from the payments system to identify the managers who are still recruiting temporary staff directly from agencies. Managers should be required to explain their reasons for not using Comensura, to determine why initial take-up has not been as expected. When contract take-up has improved, all officers involved in the processing of invoices should be informed that any invoices from recruitment agencies should be closely scrutinised and challenged with the relevant manager prior to payment.</p>	<p>Advice has been sent out to departments that all supply staff should be obtained using Comensura unless managers are specifically authorised to go outside the contract such as Schools Supply and orders placed with Taskforce by Environmental Services. Also advice has been given that all invoices submitted by agencies should be referred to Amanda Hicks. Consideration will be given to referring the matter upwards to get sufficient authority to ensure that the contract with Comensura is fully supported if this issue persists.</p> <p>Comensura do not submit an invoice if a temp is not ordered through the system so the situation of two invoices sent through for the same person will not happen as a result of the contract. It could happen only because an agency raises an invoice themselves as well as charging through Comensura. It is the responsibility of managers to only authorise agency invoices when these have been appropriately checked. There will be some checking carried out over the next few weeks by Lynda Innocent's team to identify departments/sections where two invoices have been submitted for the same temp.</p>	Being Implemented
3	<p>Significant</p> <p>A high percentage of timesheets and hence invoices paid to Comensura have been authorised via 'systems authorisation' rather than management authorisation, which could result in incorrect Comensura invoices being paid.</p> <p>We recommend that the reasons for the use of</p>	<p>Departments are notified by email to alert them to go into the system to firstly authorise orders and then secondly to authorise timesheets. System authorisation happens when the appropriate officers do not respond to these prompts. Advice has been sent to departments that managers should carry out the authorisation process to avoid system authorisation and</p>	Being Implemented

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
	<p>the 'systems authorisation' facility are determined by questioning the officers who should have authorised the timesheets. Appropriate actions should be taken to reduce the incidence of 'systems authorisation', dependent upon the reasons established.</p>	<p>attempts will be made to ascertain why they are not doing this in all cases.</p>	