Non-Clinical Temporary Staffing Final Internal Audit Report

March 2022

Hywel Dda University Health Board

NWSSP Audit and Assurance

Contents

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Committee:	Audit & Risk Assurance Committee

Executive Summary

Purpose

The purpose of the review is to establish whether appropriate arrangements are in place for the appointment and monitoring of temporary staffing solutions.

Overview

Two high priority matters have been identified relating to the procurement, identification and monitoring of non-clinical temporary staff:

- The Health Board did not engage with NWSSP Procurement Services in the procurement of temporary staff from external suppliers resulting in examples of incorrect use of framework agreements and non-compliance with Public Contract Regulations.

- A central record of non-clinical temporary staff usage is not maintained, and this information is not easily identifiable within the ledger. Workforce are not aware of temporary staff usage within the health board, and there are no arrangements in place to monitor and report on associated expenditure.

Accordingly, we have concluded an overall rating of **Limited** assurance.

Report Classification

	Trend
Limited	More significant matters require management attention. **Moderate impact** on residual risk exposure until resolved.	n/a

Assurance summary[1]

Assurance objectives		Assurance
1	Non-clinical temporary staff are only engaged where necessary, are subjected to appropriate scrutiny, and are procured and approved in accordance with standing orders and procurement guidelines	Limited
2	Non-clinical temporary staff are subject to pre-employment checks	Reasonable
3	Non-clinical temporary staffing usage is monitored and there is engagement with Workforce & OD to identify a longer term, more cost-effective solution where appropriate	Limited

Matters Arising

		Objective	Control Design or Operation	Recommendation Priority
1	Policies & Procedures	1, 3	Design	Medium
2	Necessity to Engage Non-Clinical Temporary Staff	1, 3	Operation	Medium
3	Procurement Process	1	Operation	High
4	Identification & Monitoring of Non-clinical Temporary Staff Usage	3	Design & Operation	High

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[1] The objectives and associated assurance ratings are not necessarily given equal weighting when formulation the overall audit opinion

1. Introduction

1.1 The Non-Clinical Temporary Staffing review has been completed in line with the 2021/22 Internal Audit Plan. The relevant lead Executive Director for the assignment is the Director of Workforce & OD.

1.2 Our review has focussed on the arrangements in place for non-clinical temporary staff procured from an external source (such as an agency) and has therefore excluded temporary staff directly employed by the Health Board, as these are deemed lower risk on the basis that they are subject to vacancy control procedures.

1.3 The potential risks considered in the review are as follows:

- non-compliance with Health Board policies and procedures; and
- failure to obtain value for money due to inappropriate use and onboarding of non-clinical temporary staffing resources

2. Detailed Audit Findings

Objective 1: Non-clinical temporary staff are only engaged where necessary, are subjected to appropriate scrutiny, and are procured and approved in accordance with standing orders and procurement guidelines

Policies and Procedures

2.1 The Health Board's Standing Orders and Standing Financial Instructions require that the procurement of all goods and services be subject to a fair, objective, and competitive selection process in accordance with good procurement practice.

2.2 The Health Board's Scheme of Delegation sets out the arrangements for the "authorisation of engagement, re-engagement, re-engagement of employees, either on a permanent or temporary nature, or hire agency staff, or agree to changes in any aspect of remuneration outside of the approved budget and funded establishment". For all staff other than '*consultants & middle grades'* and '*nursing staff,'* this is delegated to the Directorate Management Teams.

2.3 There is no documented policy or procedure in place for the appointment or management of non-clinical temporary staff, although it is subject to the general requirements of *FP14/01 Requisitioning, Ordering and Receipt for Supplies of Goods & Services* procedure document.

[See Matter Arising 1 in Appendix A]

Identification of Non-Clinical Temporary Staffing Expenditure

2.4 We requested details of non-clinical temporary staff expenditure (including 'finders fees') for the period January – October 2021 to facilitate our sample testing. However, this information was not readily available. Further detail is provided at Objective 3 regarding monitoring arrangements for non-clinical temporary staff usage.

2.5 In the absence of a central record of temporary staff usage, we reviewed accounts payable transaction reports (for the period 1 January – 31 October 2021) for four suppliers known to have recently provided temporary staffing services to the Health Board. These suppliers related to Finance, IT, Estates and Clinical Engineering staff and so the scope of our review under objectives one and two was restricted to these areas.

2.6 We identified a sample of 12 individuals for review – three related to 'finders fees' for permanent recruits sourced via an agency and nine related to temporary staffing costs:

Supplier	Number of Individuals	Directorate	Spend Type	Total Spend (12mths Jan – Dec 21)
A	1	Estates	Temp Staff	£8,479
B	3	Finance	Finders Fees	£30,571
	4	IT	Temp Staff	£557,379
C	2	IT	Temp Staff	£115,344
D	2	Clinical Engineering	Temp Staff	£3,080

Necessity to Engage Non-Clinical Temporary Staff

2.7 Workforce advised that temporary staffing should not be used for roles expected to last longer than three months, and three rounds of direct recruitment should be undertaken before reaching out to agencies. However, in the absence of a formal policy it is not clear if or how this has been communicated to appointing managers. **[See Matter Arising 1 in Appendix A]**

2.8 We contacted the appointing managers for the nine temporary staff members sampled to establish the rationale and procurement route for engaging temporary staff via external suppliers.

2.9 In all cases Workforce were not aware of the temporary resource requirement or indeed the individuals sourced via agency, although appointing managers advised that agencies were approached following unsuccessful recruitment rounds as they have access to a wider pool of candidates with the required expertise and seeking temporary positions.

2.10 Our sample included two individuals engaged (via framework supplier) to lead on the delivery of specific projects due to a lack of capacity and expertise within the existing workforce. They were initially appointed in August 2020 for a three-month period at a cost of £30-£35k each but this has been extended up to 31 March 2022 with total costs projected to be in the region of £200-£220k each for the 19-month period[2].

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[2] 12 months of this spend relating to the period January – December 2021 is included in the table at paragraph 2.6 – supplier B

2.11   The appointing manager advised that their portfolios have been extended on the back of the success of the initial projects delivered. We requested evidence of the resource requirements identified at the outset of the projects, for example in a business case or project initiation document, but this was not available. Retrospective purchase orders had been approved by the relevant Executive Director in line with the Scheme of Delegation.

[See Matter Arising 2 in Appendix A]

Procurement Process & Internal Approval

2.12   Ten of the 12 individuals reviewed had been procured via agencies on Crown Commercial Services framework agreements, including *RM6160 Non-Clinical Temporary Staff.* Two had been procured via direct engagement with a non-framework supplier and therefore in breach of the Public Contract Regulations.

2.13   The CCS frameworks permit direct award to a supplier and require both parties to sign a call-off contract or short form contract, which set out the terms and conditions of the arrangement. This offers protection to the contracting authority on price, contractual arrangements, and compliance with the Public Contracts Regulations. However, we were not provided with any evidence that this requirement has been adhered to for any of the 10 framework procurements reviewed.

2.14   We were not provided with evidence of prior approval to engage temporary staff / incur finders fees for any of the 12 individuals sampled. In some cases we were advised that Executive Director approval had been obtained, although there was no documented evidence to support this.

2.15   NWSSP Procurement Services confirmed that they had not been engaged in the procurement processes for the sampled individuals. Their involvement was limited to the raising of purchase orders for the 10 framework suppliers, which had to be raised retrospectively (to comply with the All Wales No PO No Pay Policy) on receipt of the invoice after the individual had commenced placement.

2.16   Purchase orders had not been raised for the two individuals engaged via the off-framework supplier. We reviewed a sample of associated invoices and noted that these had been approved for payment in line with the delegated financial limits within Oracle. However, if purchase orders had been raised for the collective value of the invoices for each individual, Executive Director approval would have been required.

[See Matter Arising 3 in Appendix A]

Conclusion:

2.17   There is no formal procedural guidance in place for the procurement and engagement of non-clinical temporary staffing.

2.18   We were unable to substantiate the necessity for temporary resource, for example via approved business case or project plan, and there was no evidence of prior approval for any of the 12 individuals sampled. We note however that all had retrospective approval in the form of approved purchase orders or invoices.

2.19 Framework suppliers had been used for 10 of the 12 individuals sampled however, the frameworks had not been utilised correctly as appointing managers failed to complete the required documentation. The remaining two were direct awards to a non-framework supplier and are therefore in breach of the Public Contract Regulations.

2.20 Noting the above, we have concluded **Limited** assurance for this objective.

Objective 2: Non-clinical temporary staff are subject to pre-employment checks

2.21 Where temporary staff are engaged via an agency responsibility for completing pre-employment checks usually resides with the agency.

2.22 A key benefit of utilising a framework such as CCS RM6160 is that the Workforce Alliance conduct inspections to ensure supplier compliance with the NHS Employers Check Standards.

2.23 As noted at paragraph 2.11 above, ten of the 12 individuals reviewed had been procured via agencies on Crown Commercial Services framework agreements. For the two individuals engaged via a non-framework supplier, the appointing manager assured that recruitment checks were undertaken by the supplier. A recommendation has been raised regarding Procurement compliance. **[See Matter Arising 2 in Appendix A]**

Conclusion:

2.24 Noting the above, we have concluded **Reasonable** assurance for this objective.

Objective 3: Non-clinical temporary staffing usage is monitored and there is engagement with Workforce & OD to identify a longer term, more cost-effective solution where appropriate

2.25 A central record of non-clinical temporary staff engagement is not maintained and is not easily identifiable in the ledger as it is all coded to a broad *Agency: Admin and Clerical* subjective code with transactions often not identifying the individual to which they relate. Whilst it is possible to distinguish between clinical and non-clinical cost centres, there is no distinction between clinical/non-clinical temporary staffing spend.

2.26 We also identified issues with coding accuracy when we sampled 34 invoices posted to the *Recruitment Agency: Intro Fees* subjective code however, only three of these related to introduction fees (included in our sample testing above) with the rest relating to temporary staffing costs which should have been coded to the *Agency: Admin and Clerical* subjective code. Examples were also identified where agency introduction fees had been posted to the *Agency: Admin and Clerical* subjective code instead of *Recruitment Agency: Intro Fees*.

2.27 During a post-fieldwork discussion an appointing manager advised that they maintain a record of agency staff for submission to their Finance Business Partner

upon request although we understand that this is used for finance forecasting purposes rather than agency monitoring.

2.28 Workforce do not have access to temporary staffing outside of the ESR (Electronic Staff Record) system (i.e., those not directly employed by the Health Board) and there are no arrangements with place for appointing managers or Finance to notify Workforce of agency engagements. In the absence of this information, Workforce are unable to identify and proactively engage with appointing managers to explore more suitable, cost-effective resourcing solutions ensuring that value for money is achieved.

[See Matter Arising 4 at Appendix A]

Conclusion:

2.29 A central record of non-clinical temporary staff usage is not maintained, and associated expenditure is not easily identifiable within the ledger. We also identified issues with coding accuracy. There is no central oversight or monitoring of non-clinical temporary staff usage and expenditure and there was no evidence of engagement between the appointing manager and Workforce for the sample of temporary staff reviewed.

2.30 Accordingly, we have concluded **Limited** assurance for this objective.

Appendix A: Management Action Plan

Matter Arising 1: Policies & Procedures (Design)	Impact
There is no documented policy or procedure in place for the appointment or management of non-clinical temporary staff. Workforce advised that temporary staffing should not be used for roles expected to last longer than three months, and three rounds of direct recruitment should be undertaken before reaching out to agencies. However, in the absence of a formal policy it is not clear if or how this has been communicated to appointing managers.	Potential risk of: • value for money not achieved in the engagement of temporary staff • lack of clarity regarding the process for engaging temporary staff potentially resulting in non-compliance with Public Contract Regulations
Recommendations	**Priority**
The circumstances in which the engagement of non-clinical temporary staff is permitted and the processes to be followed in doing so should be reviewed and agreed, then formally documented and communicated with appropriate staff. Directorates involved in the engagement of non-clinical temporary staff should have input into the development of these processes.	**Medium**

Agreed Management Action	Target Date	Responsible Officer
• No agencies should be engaged with to directly hire staff without prior approval. A protocol will be developed by the Workforce & OD Directorate to cascade to all Directors and managers for implementation. The Directorates identified in the sample for the engagement of temporary staff will be asked to contribute to the development of this process.	31/05/22	Assistant Director of Workforce & Organisational Development (Resourcing & Utilisation)
• An interim process to follow for the use of non-clinical agency to be reinforced to Directors and Managers including a request for all agency usage presently in place to be confirmed so that appropriate checks and exit strategies can be agreed.	30/03/22 (complete - message issued 10/3/22)	Director of Workforce & Organisational Development

Matter Arising 2: Necessity to Engage Temporary Staff (Operation)	Impact
For the sample of engagements reviewed, Workforce were not aware of the temporary resource requirement or indeed the individuals sourced via agency, although appointing managers advised that agencies were approached following unsuccessful recruitment rounds as they have access to a wider pool of candidates with the required expertise and seeking temporary positions. Our sample included two individuals engaged (via framework supplier) to lead on the delivery of specific projects due to a lack of capacity and expertise within the existing workforce. They were initially appointed in August 2020 for a three-month period at a cost of £30-£35k each but this has been extended up to 31 March 2022 with total costs projected to be in the region of £200-£220k each, and further extension to 30 June 2022 expected. The appointing manager advised that their portfolios have been extended on the back of the success of the initial projects delivered. We requested evidence of the resource requirements identified at the outset of the projects, for example in a business case or project initiation document, but this was not available. Purchase orders had however been approved by the relevant Executive Director.	Potential risk of: • value for money not achieved in the engagement of temporary staff

Recommendations	Priority
The rationale for engaging temporary staff should be clear and discussed with Workforce to explore suitable alternatives (such as upskilling, fixed term contract or secondment) prior to engagement. Where an engagement relates to additional capacity/expertise for a specific task (e.g., the delivery of a project), the resource requirement should be clearly set out within the approved business case/project documentation, with evidence of approval for extensions.	**Medium**

Agreed Management Action	Target Date	Responsible Officer
• The Workforce Efficiency Team in the Resourcing and Utilisation function of the W&OD Directorate will develop a process for the engagement of non-clinical temporary staff. This process will include reference to the steps which need to be completed prior to any temporary staff engagement being authorised to ensure all efforts to avoid the need for temporary staffing are exhausted.	31/05/22	Assistant Director of Workforce & OD (Resourcing & Utilisation)

Matter Arising 3: Procurement Process (Operation)	Impact
NWSSP Procurement Services confirmed that they had not been engaged in the procurement processes for the sample of temporary staff reviewed. Although ten of the 12 individuals reviewed had been procured via agencies on Crown Commercial Services framework agreements, we were not provided with any evidence that the required framework documentation had been completed. Furthermore, two individuals had been procured via direct engagement with a non-framework supplier and therefore in breach of the Public Contract Regulations. Purchase orders had been raised for the ten framework suppliers although these were raised retrospectively on receipt of the invoice after the individual had commenced placement. There were no purchase orders in place for the two individuals engaged via the non-framework supplier.	Potential risk of: • value for money not achieved in the engagement of temporary staff • non-compliance with the Public Contract Regulations

Recommendations	Priority
NWSSP Procurement Services should be engaged for support and advice in the procurement of non-clinical temporary staff to ensure procurements represent value for money and are compliant with the Public Contract Regulations. Framework documentation must be completed and approved by both parties for procurements via framework supplier. Purchase orders should be raised at the point of engagement rather than retrospectively.	**High**

Agreed Management Action	Target Date	Responsible Officer
• Director of Workforce & OD and Director of Finance to meet with Head of Procurement to develop a management guide which ensures all managers are aware of the actions they are required to take when procuring workers via frameworks.	30/04/22	Director of Workforce & OD and Director of Finance
• All paperwork to be linked into process identified in action above and documentation to be submitted to and checked by Resourcing team prior to authority to proceed is given.	31/05/22	Assistant Director of Workforce & OD (Resourcing & Utilisation)

12/16

Matter Arising 4: Identification & Monitoring of Non-Clinical Temporary Staff Usage (Design & Operation)	Impact
A central record of non-clinical temporary staff engagement is not maintained and is not easily identifiable in the ledger as it is all coded to a broad *Agency: Admin and Clerical* subjective code with transactions often not identifying the individual to which they relate. Whilst it is possible to distinguish between clinical and non-clinical cost centers, there is no distinction between clinical/non-clinical temporary staffing spend. We also identified issues with coding accuracy which further impacts on the reliability of the ledger for identifying temporary staff and 'finders fees' expenditure. We are aware that appointing managers are required to maintain a record of agency staff for submission to the Finance Business Partner upon request, although we understand that this is used for finance forecasting purposes rather than agency monitoring. Workforce do not have access to temporary staffing outside of the ESR system (i.e., those not directly employed by the Health Board) and there are no arrangements with place for appointing managers or Finance to notify Workforce of agency engagements. In the absence of this information, Workforce are unable to identify and proactively engage with appointing managers to explore more suitable, cost-effective resourcing solutions ensuring that value for money is achieved.	Potential risk of: • excessive spend on temporary staffing over and above the agreed establishment • value for money is not achieved
Recommendations	**Priority**
A central record of temporary staff usage should be maintained by Workforce so that they can proactively engage with appointing managers to assess resource requirements and explore longer-term, more cost-effective alternatives to agency usage. This information can also be used to inform the wider workforce planning and recruitment arrangements through the identification of gaps in resource /expertise and hard-to-fill posts. Appointing managers should liaise with finance colleagues to ensure the accuracy of temporary staff expenditure coding within the ledger. This would facilitate the maintenance and monitoring of a central record of temporary staff usage. Expenditure on non-clinical temporary staffing over and above the agreed establishment should be monitored and reported to an appropriate forum.	**High**

Agreed Management Action	Target Date	Responsible Officer
• regular reporting of all agencies spend (clinical and non-clinical) to be sent to Assistant Director of Workforce & OD (Resourcing & Utilisation) monthly to ensure all non-clinical spend is known and any breaches to agreed procedure is managed appropriately. • The issuing of guidance referred to in point 1 will ensure managers are aware of their need to ensure regular discussion with Workforce and Finance to ensure usage is correctly recorded. • All non-clinical agency will be reported as part of the workforce controls planning objective regardless of funded establishment as agency if not used in the right circumstances if poor financial management. This will be reported to the Executive Team.	30/04/22 31/05/22 30/04/22	Director of Finance to ensure reports are produced, Assistant Director of Workforce & OD (Resourcing & Utilisation) for recording Assistant Director of Workforce & OD (Resourcing & Utilisation) Director of Workforce & OD

Appendix B: Assurance opinion and action plan risk rating

Audit Assurance Ratings

We define the following levels of assurance that governance, risk management and internal control within the area under review are suitable designed and applied effectively:

	Substantial assurance	Few matters require attention and are compliance or advisory in nature. **Low impact** on residual risk exposure.
	Reasonable assurance	Some matters require management attention in control design or compliance. **Low to moderate impact** on residual risk exposure until resolved.
	Limited assurance	More significant matters require management attention. **Moderate impact** on residual risk exposure until resolved.
	No assurance	Action is required to address the whole control framework in this area. **High impact** on residual risk exposure until resolved.
	Assurance not applicable	Given to reviews and support provided to management which form part of the internal audit plan, to which the assurance definitions are not appropriate. These reviews are still relevant to the evidence base upon which the overall opinion is formed.

Prioritisation of Recommendations

We categorise our recommendations according to their level of priority as follows:

Priority level	Explanation	Management action
High	Poor system design OR widespread non-compliance. Significant risk to achievement of a system objective OR evidence present of material loss, error, or misstatement.	Immediate*
Medium	Minor weakness in system design OR limited non-compliance. Some risk to achievement of a system objective.	Within one month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. Generally, issues of good practice for management consideration.	Within three months*

* Unless a more appropriate timescale is identified/agreed at the assignment.

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