Argyll and Bute Council

Internal Audit Report

February 2024

Final

Human Resources – Casual Staff

Audit Opinion: Substantial

	High	Medium	Low	VFM
Number of Findings	0	2	3	0

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Contents

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1. Executive Summary

Introduction

1. As part of the 2023/24 internal audit plan, approved by the Audit & Scrutiny Committee in March 2023, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to Human Resources-Casual Staff.

2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed. The findings outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily all the issues which may exist. Appendix 1 to this report includes agreed actions to strengthen internal control however it is the responsibility of management to determine the extent of the internal control system appropriate to the Council.

3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. Despite a challenging financial context, the council's overall workforce numbers have not significantly reduced over the last 10 years. However, since the pandemic, there has been a shift away from permanent employment to more temporary, casual and agency arrangements in some areas of the workforce.

5. From time to time a worker is required on an "ad hoc" basis which cannot be absolutely forecast, such as to provide additional cover for a special event, or to provide specialist skills, or relief emergency cover in a front line service. In these circumstances, an offer of work can be made on a "Casual" work basis. Casual Workers should only be used on an "as and when needed" basis. If there is a need for their regular and routine use, managers should consider placing these workers into temporary posts.

6. In the case that the employment relationship becomes more than a casual arrangement, then a change in contract would be required. Therefore, it is critical that Managers understand the distinction between casual and temporary contracts, so that the correct contracts are issued.

7. Roles such as ASN assistants, internal transport staff, catering and cleaning are examples of those roles which have seen reductions in permanent numbers and a corresponding increase in temporary or casual arrangements.

8. The last available figures showed that of a total workforce of approximately 5,800 some 2,800 were in casual posts.

Scope

9. The scope of the audit is to review the use of causal staff and extensions of these arrangements and determine whether there are any contractual implications and that the correct contractual status is reflected on the Payroll system as outlined in the Terms of Reference agreed with the Head of Customer and Support Services on 24th January 2024.

Risks

10. The risks considered throughout the audit were:

    - Audit Risk 1:Casual workers guidance is unclear and does not align with regulatory requirements
    - Audit Risk 2:Council services are not compliant with the agreed Casual workers guidance
    - Audit Risk 3 :The Council does not regularly review casual staff to ensure their job status is correct as per guidance
    - Audit Risk 4: Appropriate arrangements are not in place for performance monitoring and reporting of casual staff

Audit Opinion

11. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.

12. Our overall audit opinion for this audit is that we can take a Substantial level of assurance. This means that internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.

Recommendations

13. We have highlighted two medium priority recommendations and three low priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:

    - Guidance on casual workers should be regularly reviewed and updated e.g. casual workers' pay rates.
    - Human Resources (HR) should consider the introduction of training e-videos accessible through the HUB platform to ensure all relevant staff are aware of their obligations in regard to casual staff.
    - A process should be introduced to ensure that individuals identified by HR as requiring to have their contractual status reviewed are followed up by relevant departments.
    - HR to ensure that all relevant management are aware of reports generated by HR in regard to casual workers.
    - HR should explore opportunities with key stakeholders to make it easier for managers to recruit into temporary posts.

14. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

15. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Link to Risk	Assessment	Summary Conclusion
1	Casual workers guidance is in place and aligns with legal and regulatory requirements.	Audit Risk 1	Substantial	The Council's "Casual Workers Guidance for Managers" document is comprehensive and effectively aids managers in engaging and managing casual workers. However, it requires updating in a number of areas. HR should introduce training e-videos on the HUB platform to enhance staff awareness and compliance with obligations regarding casual staff.
2	All casual staff are regularly reviewed to ensure that their employment status is correct. This includes frequency, duration and nature of assignments.	Audit Risk 3	Reasonable	HR generates a monthly report containing financial data on casual workers' utilisation, forwarded to Departmental Management Teams (DMT's). Additionally, HR identifies casual workers by service who may need contractual review, but there is no evidence of service follow-up. Transport and catering management were unaware of these reports. HR should explore opportunities with key stakeholders to make it easier for managers to recruit into temporary posts.
3	All Council services are compliant with each section of the guidance including recruitment, payment and rights of casual workers.	Audit Risk 2	Reasonable	Internal audit conduct monthly random audits on worker pay to ensure compliance with contractual arrangements, covering casual workers. No material issues have been detected thus far. Finance authorises the creation of all new casual worker positions.
4	Appropriate arrangements are in place for performance monitoring and reporting of casual staff.	Audit Risk 4	High	HR generates both monthly and semi-annual reports on casual worker utilisation. Finance generates quarterly reports detailing the number of casual workers paid per department and their total costs.

16. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

Casual workers guidance is in place and aligns with legal and regulatory requirements

17. A review of the Councils "Casual Workers Guidance for Managers" document found it to be a comprehensive and well-structured guide. The review evidenced the following in regard to its suitability:

- **Clarity in Definitions and Distinctions**: The document clearly distinguishes between "employees" and "casual workers," highlighting the different contractual obligations and entitlements. This clarity is crucial for managers to understand their responsibilities and the nature of casual employment.
- **Detailed Guidance on Employment Terms**: It effectively outlines the terms of employment for casual workers, including payment, lack of mutuality of obligation, and absence of regular increments and employee benefits. This helps in setting clear expectations for both managers and casual workers.
- **Procedure for Hiring and Deployment**: The guide provides a step-by-step process for recruiting casual workers, which includes authorisation, application, interview, and appointment procedures. This structured approach can help ensure consistency and fairness in the recruitment process.
- **Legal and Compliance Aspects**: The document addresses important legal aspects, like the risk of incorrect deployment of casual workers and the potential implications on employment rights and benefits. It underscores the importance of adhering to employment laws and council policies.
- **Operational Guidelines**: There are specific operational guidelines, such as the proper use of casual workers, avoidance of regular patterns of work, and procedures for managing casual worker lists. This can assist managers in effectively utilising casual staff while remaining compliant with regulations.
- **Focus on Fairness and Transparency**: The guidance emphasises fairness in allocating work and transparency in recruitment processes, which are crucial for ethical management and avoiding potential biases or favouritism.
- **Integration with Council Policies**: The document integrates casual worker management with broader council policies, including Dignity at Work and data protection regulations, ensuring a holistic approach to workforce management.
- **Opportunities for Internal Vacancies**: The guide allows casual workers to apply for internal posts under certain conditions, promoting inclusivity and providing growth opportunities within the council.

Overall, the document is a comprehensive guide that effectively aids managers in the proper engagement and management of casual workers, however, the guidance should be updated in a number of areas namely:

- Reference is made to the "HSCP fortnightly vacancy monitoring group". This group no longer exists.

- Appendix 1 lists pay rates for casual workers Re 2021. Rather than stating these rates which will change on an annual basis, consideration should be given to inserting a link to a site that reflects current pay rates.

<div align="right">Action plan 3</div>

18. Included on the HUB is a number of documents pertinent to casual workers namely :

- Casual Workers – Guidance for Managers
- Recruitment forms

19. Each department is assigned a "Human Resources Business Partner" to review high level data around usage of casual staff and highlight areas for review.

20. Staff members undergo induction training upon joining the Council, ensuring their initial preparedness for their roles. Whilst there is existing guidance on the utilisation of casual workers, there is no documented evidence demonstrating periodic training for staff members who engage casual workers. This gap in training extends to the Education sector, where there appears to be insufficient instruction on differentiating between the status of a casual worker and that of a supply teacher. To bridge this training gap, HR should consider the introduction of training e-videos accessible through the HUB platform.

<div align="right">Action Plan 4</div>

All casual staff are regularly reviewed to ensure that their employment status is correct. This includes frequency, duration and nature of assignments

21. The guidance specifies that "Financial Records on the use of Casual Workers" are distributed monthly to Heads of Service to facilitate monitoring of their utilisation. These reports are intended to assess the consistency of casual workers' engagement, which may prompt a review of their contractual status. Evidence reveals that such reports are regularly prepared across departments, including Education and Financial Services and forwarded to relevant staff, identifying individuals currently under casual contracts flagged by HR for review. However, it was observed that there is no established process to ensure that the relevant services conducts the necessary review upon identification of such individuals.

<div align="right">Action Plan 1</div>

22. Discussions with management in Catering and Cleaning, as well as Pupil Transport, revealed their lack of awareness regarding HR reports identifying employees on casual worker contracts needing review to ensure compliance with the Council's legal obligations.

<div align="right">Action Plan 2</div>

23. The Guidance specifies that Managers are accountable for maintaining Casual Worker Lists. A review of casual worker lists confirmed that registers of casual workers are in place.

24. The council regularly conducts an equal pay audit. The audit explores gender pay gaps, where these manifest within the organisation, and why. The most recent equal pay audit's findings provide assurances that the processes and practices around pay and grading are robust with pay gaps arising from structural factors within the wider labour market.

25. Discussions with operational managers confirmed they use casual staff because it's quicker and easier to set them up in a casual post than to go through the levels of control required for

temporary posts. HR should explore opportunities with key stakeholders to make it easier for managers to recruit into temporary posts.

Action Point 5

All Council services are compliant with each section of the guidance including recruitment, payment and rights of casual workers.

26. As part of its routine monthly audit checks, internal audit examines a random sample of workers' pay to verify adherence to contractual arrangements. The random sample encompasses casual workers, and findings thus far affirm that casual workers are compensated in accordance with contractual obligations.

27. The guidance for casual workers states "If the post that you wish to recruit into does not already exist within the department's budgeted establishment you must complete the appropriate form to gain authorisation to create a new casual post. This needs to be approved by Finance". It was evidenced that Finance approve the creation of all new casual workers posts.

28. Financial reports on casual usage by HSCP staff are generated on a monthly basis and forwarded to the relevant DMT.

Appropriate arrangements are in place for performance monitoring and reporting of casual staff.

29. The Guidance states that HR should generate a monthly report encompassing all HR matters, including those related to Casual staff. It was confirmed that monthly reports for all departments are forwarded to relevant Departmental Management Meetings. A review of the reports noted that issues pertinent to casual workers are included within the reports.

30. HR produce a 6 monthly report which includes data on casual workers employed during the relevant period. The report provides an overview of workforce trends within the Council, particularly regarding casual staff. The report covering the 6 months until end September 2023 acknowledges that since the onset of the pandemic, there has been a shift away from permanent employment toward more temporary, casual, and agency arrangements in certain workforce segments.

31. The Finance department generates a quarterly report that provides a breakdown of the number of casual workers paid within each department, along with their respective total costs. This report is forwarded to relevant staff within departments.

32. Discussions with HR noted that managers prefer utilising casual staff due to the accelerated process compared to the process involved in putting a temporary posts in place. Consideration may be made where suggestions to simplify recruitment with trades union and senior management are explored, and this can be integrated into the ongoing policy review.

Appendix 1 – Action Plan

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	1	Follow up of casual staff identified for contractual review. HR regularly generates reports for departments, identifying staff on casual contracts whose contractual status requires review. However, there was no evidence to indicate that services have conducted the necessary review.	Failure of departments to conduct the necessary review of casual workers' contractual status which may lead to non-compliance with the Councils policies or legal obligations.	HR to coordinate with departmental services to ensure that the necessary reviews of staff on casual contracts are conducted in accordance with the identified reports.	Senior HR Business Partner/ Departmental Business Partners 31st July 2024
Medium	2	Management Awareness of HR Reports on Casual Worker Contracts Discussions with management in Catering and Cleaning, as well as Pupil Transport, revealed their lack of awareness regarding HR reports identifying employees on casual worker contracts needing review to ensure compliance with the Council's legal obligations.	Absence of management awareness regarding reports may lead to inadequate monitoring and oversight of compliance with legal obligations related to casual worker contracts.	HR to conduct awareness sessions with management in Catering and Cleaning, as well as Pupil Transport, to ensure they are informed about HR reports identifying employees on casual worker contracts needing review to ensure compliance with the Council's legal obligations.	Departmental Business Partners 31st July 2024

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Low	3	Casual Workers Guidance Guidance on casual workers should be regularly reviewed and updated e.g. casual workers' pay rates.	Inaccurate or outdated guidance could result in legal issues if it leads to incorrect contractual arrangements or breaches of legal obligations.	HR to establish a regular review process for the guidance on casual workers, including updating information such as pay rates, to ensure it remains current and aligned with Council policies.	Officer title HR Projects and Information Officer 31st December 2024
Low	4	Training Human Resources (HR) should consider the introduction of training e-videos accessible through the HUB platform to ensure all relevant staff are aware of their obligations in regard to casual staff.	Without regular training, staff members may not fully understand the correct procedures and protocols for engaging casual workers.	HR to explore the feasibility of creating and implementing training e-videos on the HUB platform to ensure all relevant staff are adequately informed about their obligations regarding casual staff	HR Manager (Operations) 31st December 2024
Low	5	Recruitment process Discussions with operational managers found a preference for casual staff due to the simpler setup process compared to temporary posts, potentially prompting talks with trade unions and senior management to simplify recruitment, reducing incorrect usage and improving efficiency. HR should explore opportunities with key stakeholders to make it easier for managers to recruit into temporary posts.	Failure to assess the effectiveness of the recruitment process may result in non-compliance with organisational policies and procedures, as well as regulatory requirements related to the hiring of casual staff and filling temporary positions.	HR to initiate discussions with trade unions and senior management to explore opportunities for simplifying the recruitment process for temporary/casual posts, based on feedback from operational managers, with the aim of reducing incorrect usage and improving overall efficiency.	Senior HR Business Partner/ HR Manager Operations 31st March 2025

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.
VFM	An observation which does not highlight an issue relating to internal controls but represents a possible opportunity for the council to achieve better value for money (VFM).

Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.