

# Governance, Risk and Best Value Committee

10.00am, Tuesday, 1 August 2023

## Service Area Response to Internal Audit Report on Edinburgh's Employer Recruitment Incentives (PL2301)

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| Executive/routine<br>Wards<br>Council Commitments | Executive<br>All |
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### 1. Recommendations

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- 1.1 Governance, Risk and Best Value Committee is asked to note:
  - 1.1.1 That the internal audit into the design and effectiveness of the controls in place around the Edinburgh Employer Recruitment Incentives applications, payment processes and ongoing reviews was conducted at the request of the service area following the identification of a potential financial risk; and
  - 1.1.2 The service area response and actions taken to date to address risks raised in the Internal Audit report.

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Executive Director of Place

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# Report

## Service Area Response to Internal Audit Report on Edinburgh's Employer Recruitment Incentives (PL2301)

### 2. Executive Summary

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- 2.1 This report provides a service area response to the Internal Audit Report on Edinburgh's Employer Recruitment Incentives (Appendix 3 of item 8.3 on today's agenda). The report summarises the progress made by the service in relation to the self-requested internal audit into the design and effectiveness of the controls in place around the Edinburgh Employer Recruitment Incentives applications, payment processes and ongoing reviews.

### 3. Background

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- 3.1 Edinburgh's Employer Recruitment Incentives (EERI) is a programme funded by the Scottish Government under the No One Left Behind (NOLB) funding stream to help employers fill vacancies and create new or additional jobs/ apprenticeships. In 2021/22 and 2022/23, additional funding from the Scottish Government's Young Person's Guarantee was also utilised to create additional EERIs targeted at young people.
- 3.2 The funding is open to employers from all sectors, but priority is given to private small and medium scale enterprises (SME) and third sector organisations. Each employer can submit two funding applications per financial year, and successful applicants are awarded with funding of up to £6,000 for various expenses (such as wages, training and recruitment of eligible out of work candidates). The awarded funding is paid in four instalments over 52 weeks.
- 3.3 Helix is a client management system and system administration for the City of Edinburgh Council is managed by Capital City Partnership (CCP). The system is used to retain privacy notices for employees engaged in EERIs.
- 3.4 In late 2022 the Business Growth and Inclusion Team uncovered an instance of attempted fraud within the EERI process. Contact was made with Internal Audit, requesting a review of the process be undertaken as part of the Annual Audit Plan. The report was shared with the service area in May 2023 and contained four overall findings (three high-rated and one medium-rated) in relation to the control environment in the scope of the audit.

## 4. Main report

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### **Service Area Response to Internal Audit Findings**

- 4.1 On receipt of the report, the service area accepted that improvements could and would be made in the monitoring and recording of management information in the areas that were identified. The audit recommendations were welcomed and used to assist continuous improvement and delivery of best value.
- 4.2 In the period between audit sampling and publishing of the report, improvements were proactively made to existing processes. These have been supplemented with additional checks and balances to aid transparency and avoid confusion.
- 4.3 The following additional context was provided as a management response upon publication of the audit report:
  - 4.3.1 While investigating the attempted fraud, it was recognised that a contributing factor was that changes in processes, which had been introduced because of the pandemic, had not reverted following the ending of restrictions. It was acknowledged that, while some of these practices could remain, not all could (or should) and updated process maps and training would be required to reflect revised working practices. A request was therefore made that Internal Audit review the existing process to highlight areas of risk that could be addressed in establishing an updated process.
  - 4.3.2 At the same time, Scottish Government issued guidance around evidence requirements to receive funding and it was logical to align with this. It is acknowledged that the audit recommendation was to go beyond the guidance in terms of requesting evidence of the employee's barrier to employment rather than rely on self-certification.
  - 4.3.3 To request evidence of the barrier to employment would mean setting a higher level of evidence than for the other 31 Local Authorities in Scotland, which could be seen as attempting to restrict access to this support. Due to the large number of existing barriers, and the different ways they can manifest, putting an exhaustive list of additional evidence requirements in place would be complex and is likely to cause undue stress on individuals recruited through the programme who may not have access to the right documents. It has therefore been identified as an acceptable, low-level risk that will have no significant effect on the service's ability to achieve its objectives and perform effectively.
  - 4.3.4 All other recommendations have been taken onboard and processes have been implemented to reflect these. Risk registers and training requirements are also in the process of being updated.

### **Progress with Management Actions**

- 4.4 The audit report contained 10 recommendations across four findings. In response to this, the service area agreed management actions which have now been

implemented in full, subject to review of evidence by the Internal Audit team. This is detailed below.

| Action   | Summary   | Status   |
|--|---|----------|
| 1.1: Evidence requirements                         | Adopt the Scottish Government recommendations on evidence requirements in full.<br><br>Update process guidance.<br><br>Record on risk register. | Actioned |
| 1.2: Conflict of interest declarations             | Update application form and employee info pack to include conflict of interest statement.   | Actioned |
| 2.1: EERI tracker                                  | Update EERI tracker to prompt and verify that checks are being performed.   | Actioned |
| 2.2: Payslip checks                                | Update process map to prompt and verify that checks are being performed   | Actioned |
| 2.3: Initial meetings with employers and employees | Update process to reflect that first meeting to take place prior to employment starting   | Actioned |
| 2.4: End-to-end checks                             | Employees recruited utilising EERI funding to be made aware that they should notify CEC if salary payments are not as expected.                 | Actioned |
| 3.1: Risk Register                                 | Update and revise risk register.  | Actioned |
| 3.2: E-learning                                    | Business Growth and Inclusion Team to complete anti-bribery and fraud e-learning.   | Actioned |
| 4.1: User access procedures                        | Remove Helix access for CCP or Council employees upon leaving or moving roles.  | Actioned |
| 4.2: Helix user access                             | Monitor Helix access for Council employees in Business Growth and Inclusion and remove access when not required.                                | Actioned |

## **5. Next Steps**

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- 5.1 Evidence of completion of actions will be uploaded to the Team Central platform for review by Internal Audit colleagues. Actions may be subject to future checks as part of annual audit plan to ensure that controls remain in place and effective.

## **6. Financial impact**

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- 6.1 The actions in this report have no impact on Council budgets, however, the strengthening of controls identified will assist with the implementation of sound financial governance and help protect against risk of fraud.

## **7. Background reading/external references**

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- 7.1 None.

## **8. Appendices**

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- 8.1 None.