



Internal Audit Assurance & Consultancy
Final Internal Audit Report
Stevenage Borough Council
Human Resources 2007- 08

To: D Williams, Head of Human Resources

For Information: Ian Cawthra, Recruitment and Training Manager
Mark Simpson, Finance Projects Manager
Clare Fletcher, Head of Finance

Date Final Report Issued: 27th May 2008

1. Introduction

An audit of Human Resources has been carried out as part of the 2007-08 Audit Plan. Detailed testing has been carried out on the systems of control and the management of risk within this area.

2. Findings and Recommendations

The detailed findings and recommendations are set out in the report attached as Appendix A to this memo. The Management Action Plan as completed by the officers responsible is attached as Appendix B.

3. Conclusions

The various systems of control in place within the Human Resources unit are functioning but there are certain weaknesses which put some of the control objectives at risk and these are: establishment list, service level agreement, recruitment plans, induction programmes, compulsory training courses and personnel file records.

Therefore, based on our audit findings, Internal Audit has assigned **substantial assurance**¹ to the systems and procedures within Human Resources.

¹ See Appendix C for definition of Assurance Levels

Human Resources 2007- 08

1. AREAS COVERED DURING THE AUDIT

- 1.1 The key areas of **possible** risk identified at the planning stage of the audit were as follows:
- a. The risk that the establishment list is not complete, accurate and agreed to payroll records;
 - b. The risks with the newly interfaced Antares HR / Payroll system. i.e. Access controls, authority levels are not set correctly; system updates / changes are made by Antares [supplier] without notification to SBC [users];
 - c. The risk that there are insufficient experienced and qualified staff to operate the Council's services;
 - d. The risk that vacancies are inappropriately created, advertised and authorised;
 - e. The risk that there is no formal application process in place for posts or that a formal post does not exist;
 - f. The risk that the wrong people are selected for a job i.e. there is no proof of qualifications obtained from applicants, no proof of identity is obtained and references are not taken;
 - g. The risk that new employees are not given a letter of appointment, copy of the terms and conditions of employment [Handbook] and that contracts are not signed;
 - h. The risks of an ineffective induction process and that training is not adequate; and that policies are not in place to offer staff guidance and awareness;
 - i. The risk that either Personnel files do not exist or there is not one for every employee, the risk that files do exist but are not accurate or up to date, and that files are not held in a secure place and are not treated as confidential;
 - j. Temporary staff and time monitoring on the length of time they have worked here;
 - k. The risk that SBC are not complying with the requirements under new legislation and Acts that are introduced.
- 1.2 The methodology stated in the terms of reference document were used to establish and test the controls that management have in place for mitigating or reducing the above risks to an acceptable level.

2. OVERALL AUDIT OPINION

Based on our audit findings, Internal Audit has assigned **substantial assurance** to the systems and procedures within Human Resources. There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk. These areas of risk could be reduced by implementing the recommendations in this report.

3. PREVIOUS RECOMMENDATIONS 2004-05

The previous audit report contained 12 recommendations. We reviewed these recommendations and identified that 11 had been implemented. The remaining recommendation is incorporated in the current recommendations and is identified as being made previously.

4. CURRENT RECOMMENDATIONS

4.1 Establishment Lists

The last completed Establishment list agreed and authorised by Heads of Service were dated July 2007. Since then a lot of work has been done on reconciling the information held by HR and Payroll pending the integration of the two systems on Antares. This has now taken place and HR are working on an Establishment List reconciled to the integrated HR / Payroll data. This is to be issued to Heads of Service for authorisation in April / May 2008. There is no agreed procedure for the regular checking of the establishment list thereafter.

4.1.1 It is recommended that a process is agreed for the regular checking and signing to agree the validity of the Establishment List by Heads of Service.

4.2 Service level agreement

The SLA has now expired. The period of agreement was 1st Oct 2006 – 30th Sep 2007. There was a review meeting in August 2007, but there are no minutes of the meeting available to establish formal monitoring of the agreement.

4.2.1 It is recommended that the SLA is reviewed and an agreed final version is put in place.

4.2.2 It is also recommended that formal review meetings scheduled are minuted for future reference.

4.3 Recruitment plans

A Recruitment Plan Form is required to start the recruitment and selection process. The recruitment plans are completed by the recruiting SDU manager and authorised by the Head of Service or the Strategic Director and then passed to HR for action.

Audit identified instances where the boxes were not completed regarding job share, rehabilitation of offenders, CRB checks and redeployment of Council staff.

Since January 2008 the Head Of HR has agreed and signed all recruitment plans. It is intended that the recruitment plan will be incorporated in the electronic establishment change control document which is currently being developed. Once in use the authorisation will be electronic, but the controls over completion are still to be established.

4.3.1 It is recommended that pending the introduction of electronic documents, HR ensures that all Recruitment Plans are fully completed.

4.3.2 It is recommend that the development of the electronic establishment change control document includes controls that require all fields to be completed before submission.

4.4 Recruitment policies

The Managing Organisational Change Policy [July 2002] located on the staff intranet indicates that it was due for review 1st April 2007. The Head of HR has confirmed that it was actually reviewed and updated in July 2007.

4.4.1 It is recommend that the Managing Organisational Change Policy front page is updated to show the last and next review dates.

4.5 Recruitment - staff fidelity guarantee

SBC have Fidelity Guarantee Insurance as protection against employees committing an act of fraud. The proposal for this insurance includes statements regarding the systems of selection and control of employees. SBC have answered yes to 3 recruitment statements that are ambiguous and sometimes untrue.

4.5.1 It is recommended that the Head of HR reviews the Fidelity Guarantee systems of selection recruitment statements with the Senior Insurance Officer and agree the declaration to the insurance company.

4.6 Recruitment - starting salaries

As part of the interview process, panel members will need to give consideration as to what they intend to offer as a starting salary. This will usually be the first point of the appropriate salary scale unless there are objectively justifiable reasons for accelerating the candidate's starting point. Where this occurs, agreement must be obtained from the Recruitment Officer, Recruitment and Training Manager, or the Head of HR and the reasons noted on the recruitment paperwork for future reference. However, HR do stress this is a Managers decision to make.

Audit identified occasions when appointments were made at a higher point of salary scale. Some had sufficient information to support; others required an explanation, which were satisfactorily discussed with HR. However, if the reasons are not documented there is a risk that any dispute or tribunal requiring evidence of decisions could not be supported.

4.6.1 It is recommended that a record of the reason for appointing at a pay point higher than the lowest scale point is held on file to support the decision.

4.7 Recruitment – contract terms and conditions

Audit identified a copy of the employee's contract of employment – statement of terms and conditions of employment were held on the eleven files tested. However, there were 8 copies that had not been signed as received and understood by the employee. This could hinder the early resolution any disputes regarding the employee's terms and conditions.

4.7.1 It is recommended that Human Resources ensure that a copy of the contract of employment signed by the employee is returned and held on the personnel file.

4.8 Induction programmes

Since the control of Personnel Files moved from Corporate Admin to HR in 2007, Corporate Admin no longer take responsibility for ensuring induction programmes are completed. There was no formal agreement and subsequently HR has not taken on responsibility of ensuring Induction programmes are completed. SDU Managers have the responsibility but are not being prompted to do so. There is a risk that Managers of new starters do not read and action the induction guidance and may not complete the induction programme in the designated period and subsequently a delay in attending mandatory courses.

This highlights one of several areas where Corporate Admin used to or still is part of the procedure for Starters, Leavers and personnel file maintenance. These issues are to be reviewed as part of the Corporate Business Support Review currently being undertaken by the Head of E-Government and Business Systems. The Head of HR is looking for this review to be the way forward in resolving the issues.

Audit found that for 10 new starter files there were 4 completed Induction Programmes.

As part of the induction, Managers should request staff to complete a 'staff statement of particulars' which includes their emergency contact numbers. [Note: this is completed on a voluntary basis]. There is a risk that the new starters in this current year may not have completed the form, which would prevent the Council being able to notify the next of kin or a nominated person in the case of an Emergency. It is also considered that this form would be better titled 'Emergency Contact Details'.

A record of Emergency Contact Details' has been set up in Antares and any forms that do get passed to HR are being input. This is in it's infancy and is not a database to be relied upon at present.

The Head of HR thought that these details could also be filed by the individual SDU Managers in their Business Continuity Files.

Audit found that for 10 new starter files there were no completed staff statements of particulars.

The induction guidance also requires Managers to request staff to complete a compliance form for financial regulations. Audit identified 1 completed out of 10 files tested.

4.8.1 It is recommended that HR ensure that all new starters complete the Induction programme by prompting the Manager to prepare programme at appointment and monitoring the programme completion.

- 4.8.2** **It is recommended that** the guidance notes are updated specifically regarding Corporate Admin involvement.
- 4.8.3** **It is recommended that** the signing of a compliance form for Financial Regulations as required by the Induction Guidance is reviewed with the Head of Finance
- 4.8.4** **It is recommended that** the Staff Statement of Particulars is re-titled to 'Staff Emergency Contact' or similar.
- 4.8.5** **It is recommended that** a procedure be put in place to ensure that Staff emergency contact details are placed on every Employee's file subject to the individual's agreement. It is suggested that the form is sent out with the appointment letter.
- 4.8.6** **It is recommended that** the Head of HR progress the idea of getting SDU Managers to hold staff emergency contact details in their Business Continuity Files.

4.9 Induction - annual leave cards

For new starters and existing staff Corporate Admin [CA] are responsible for the issue of Annual Leave cards. However, no official records are maintained to ensure these are completed accurately and timely. CA have started to record the employee start date on top of the card, but this is not on all. CA use these dates to confirm annual leave entitlement, which is not an accurate way of confirming leave entitlement. The control of annual leave entitlement is likely to develop electronically on Antares in the future.

- 4.9.1** **It is recommend that** Human Resources take control of the issue of annual leave cards to starters and annually to existing staff.

4.10 Induction – compulsory training

All Staff should attend the Compulsory Training Courses as deemed mandatory by the SBC Training and Development policy as agreed by the Strategic Management Board. Currently these are:

- i) Welcome to Stevenage Borough Council
- ii) Customer Care
- iii) Ethics & Probity
- iv) Disability Awareness
- v) Diversity Awareness
- vi) Performance and Development Meeting (PDM) Interviewer
- vii) Performance and Development Meeting (PDM) Interviewee

Audit identified that there are a number of established staff that have still not attended all of the required courses. The HR Training section does chase the individuals and their managers on a regular basis. There is a report for Corporate Training Requirements that shows who has not attended, but it does not identify their start date and period lapsed.

Training section are not advised of new appointments by Recruitment. Notification is delayed until Corporate Admin update the Training data base which is after Payroll have advised them [CA] of the new starters.

Recruitment & Selection courses are mandatory for all employees who are required to be involved in recruiting and selecting staff. No employee is permitted to take part in recruitment interviews until they have attended this course. The only exception is where an individual has interviewing experience from previous employment. They are permitted to interview provided they have participated in a one-to-one workshop with the Recruitment and Training Manager, Human Resources Managers or Head of HR.

Audit identified that an Assistant Contracts Manager at the Depot has not attended the Recruitment and Selection course, and he regularly conducts interviews. The Recruitment & Training Manger recalls that he has completed a one-to-one workshop with the officer, but on the training database there is no record of one-to-one's that are completed.

4.10.1 It is recommended that the report for Corporate Training Requirements is changed to include the starting date and period lapsed for those staff still to attend the compulsory course. This report should then be passed to the Head of HR for escalation to SMT / SMB.

4.10.2 It is recommended that Training section is copied in on appointment letters sent by the Recruitment section.

4.10.3 It is recommended that a record of staff completing one-to-one workshops pending the Recruitment & Selection Course is maintained on the Training database.

4.11 Personnel files

In the previous audit it was recommended that consideration be given to centralising the personnel files held within Corporate Administration and the DES Administration teams.

Corporate Admin no longer take on responsibility for maintaining the personnel files and the personnel files are now held within Human Resources. The DES Cavendish Road Depot continues to hold their employee personnel files.

4.11.1 As previously recommended the centralisation of all SBC employee personnel files should be completed. Human Resources should require all DES personnel files from Cavendish Road Depot to be transferred to HR at Daneshill House.

MANAGEMENT ACTION PLAN
Human Resources 2007- 08

Appendix/ Para	Recommendation	Significance L Low M Med H High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
4.1.1	It is recommended that a process is agreed for the regular checking and signing to agree the validity of the Establishment List by Heads of Service.	M	A	Sue Vanneck	-	June 2008
4.2.1	It is recommended that the SLA is reviewed and an agreed final version is put in place.	M	A	John Baucutt	Restricted to Implementation of JE	Sept 2008
4.2.2	It is also recommended that formal review meetings scheduled are minuted for future reference.	L	A	John Baucutt	-	Sept 2008
4.3.1	It is recommended that pending the introduction of electronic documents, HR ensures that all Recruitment Plans are fully completed.	L	A	Ian Cawthra	-	Sept 2008
4.3.2	It is recommend that the development of the electronic establishment change control document includes controls that require all fields to be completed before submission.	L	A	Ian Cawthra	-	Sept 2008
4.4.1	It is recommend that the Managing Organisational Change Policy front page is updated to show the last and next review dates.	L	A	D Williams	-	May 2008

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Appendix/ Para	Recommendation	Significance L Low M Med H High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
4.5.1	It is recommended that the Head of HR reviews the Fidelity Guarantee systems of selection recruitment statements with the Senior Insurance Officer and agree the declaration to the insurance company.	M	A	D Williams	Completed	May 2008
4.6.1	It is recommended that a record of the reason for appointing at a pay point higher than the lowest scale point is held on file to support the decision.	M	A	Ian Cawthra	-	Sept 2008
4.7.1	It is recommended that Human Resources ensure that a copy of the contract of employment signed by the employee is returned and held on the personnel file.	L	N/A	D Williams	We cannot oblige someone to complete only request	Sept 2008
4.8.1	It is recommended that HR ensure that all new starters complete the Induction programme by prompting the Manager to prepare programme at appointment and monitoring the programme completion.	M	A	Ian Cawthra	Part of new Corporate & Local Induction	July 2008
4.8.2	It is recommended that the guidance notes are updated specifically regarding Corporate Admin involvement.	L	A	Diane Scott	Part pf Business Support Review	Oct 2008
4.8.3	It is recommended that the signing of a compliance form for Financial Regulations as required by the Induction Guidance is reviewed with the Head of Finance	L	A	D Williams	-	July 2008

MANAGEMENT ACTION PLAN
Human Resources 2007- 08

Appendix/ Para	Recommendation	Significance		Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
		L M H	Low Med High				
4.8.4	It is recommended that the Staff Statement of Particulars is re-titled to 'Staff Emergency Contact' or similar.		L	A	Sue Vanneck	-	July 2008
4.8.5	It is recommended that a procedure be put in place to ensure that Staff emergency contact details are placed on every Employee's file subject to the individual's agreement. It is suggested that the form is sent out with the appointment letter.		L	A	Sue Vanneck	But cannot compel individually and must comply with DPA	Sept 2008
4.8.6	It is recommended that the Head of HR progress the idea of getting SDU Managers to hold staff emergency contact details in their Business Continuity Files.		L	A	D Williams	-	Sept 2008
4.9.1	It is recommend that Human Resources take control of the issue of annual leave cards to starters and annually to existing staff		L	A	D Williams	Part of Business Support Review	Oct 2008
4.10.1	It is recommended that the report for Corporate Training Requirements is changed to include the starting date and period lapsed for those staff still to attend the compulsory course. This report should then be passed to the Head of HR for escalation to SMT / SMB.		L	N/A	D Williams	Needs to be reviewed in light of use of Antares modules	Oct 2008

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Appendix/ Para	Recommendation	Significance		Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
		L M H	Low Med High				
4.10.2	It is recommended that Training section is copied in on appointment letters sent by the Recruitment section.		L	A	D Williams	Completed	May 2008
4.10.3	It is recommended that a record of staff completing one-to-one workshops pending the Recruitment & Selection Course is maintained on the Training database.		L	A	Jan Kingston	-	May 2008
4.11.1	As previously recommended the centralisation of all SBC employee personnel files should be completed. Human Resources should require all DES personnel files from Cavendish Road Depot to be transferred to HR at Daneshill House.		L	A	D Williams	Part of Business Support Review	Oct 2008

Completed by signature: _____ **print name: D Williams**

Job Title: Head of Human Resources _____ **Date: 20 May 2008**

ASSURANCE, PRIORITY AND RISK DEFINITIONS**Assurance Levels**

Assurance Level	General Definitions
Full	<p>Evaluation opinion: there is sound system of control designed to achieve the system objectives; and</p> <p>Testing opinion: the controls are being consistently applied.</p> <p>Full Assurance will be attributed to a system where no recommendations are made or where in the auditor's judgement the recommendations relate to actions that are considered desirable and which should result in enhanced control or better value for money.</p>
Substantial	<p>Evaluation opinion: basically a sound system but there are weaknesses which put some of the control objectives at risk, and/or;</p> <p>Testing opinion: there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.</p> <p>Substantial Assurance will be attributed to a system where in the auditor's judgement the recommendations relate to actions that are considered necessary to avoid exposure to significant risks.</p>
Limited	<p>Evaluation opinion: weakness in the system of controls are such as to put the system objectives at risk, and/or;</p> <p>Testing opinion: the level of non-compliance puts the system objectives at risk.</p> <p>Limited Assurance will be attributed to a system where in the auditor's judgement the recommendations relate to actions that are considered imperative to ensure that the Council is not exposed to high risks.</p>
No	<p>Evaluation opinion: control is generally weak leaving the system open to significant error or abuse, and/or;</p> <p>Testing opinion: significant non-compliance with basic controls leaves the system open to error or abuse.</p> <p>No Assurance will be attributed to a system where in the auditor's judgement they can place no reliance of the controls and procedures in operation either because they do not exist or because they are weak leaving the system open to abuse or error.</p>