

# Dacorum Borough Council

## Final Internal Audit Report

### Human Resources

May 2014

This report has been prepared on the basis of the limitations set out on page 8.

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**Key Dates:**

Date of fieldwork: March 2014

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# 1. Executive Summary

## 1.1. Background

As part of the Internal Audit programme for 2013/14, we have undertaken an audit of the Council's systems of internal control in respect of Human Resources.

## 1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Human Resources, and provide guidance on how to improve current the controls going forward.

In summary, the scope covered the following areas: Policies, Procedures and Legislation, HR Transactions and Records, Pre-employment Checks, Contracts of Employment and Training. Further detail on the scope of the audit is provided in Section 2 of the report.

## 1.3. Summary Assessment

Our audit of DBC's internal controls operating over Human Resources found that whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk. In addition there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk. Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Substantial

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Human Resources is shown in Section 3.

## 1.4. Key Findings

We have raised two priority 2 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- All new staff should complete the mandatory training requirements within three months of starting their employment. An email reminder should be issued to all managers one month before that deadline. Spot checks should be carried out by HR on a monthly basis for all new starters to ensure mandatory training is being undertaken and completed within the set deadline. (Priority 2).
- HR Policies and Procedures should be regularly reviewed and updated and should be made readily available to the relevant members of staff. (Priority 2).

Full details of the audit findings and recommendations are shown in Section 4 of the report.

**1.5 Management Response**

We have received the management responses and have included them in our Final report.

**1.6 Acknowledgement**

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

## 2. Scope of Assignment

### 2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Human Resources, with regards the areas set out in section 2.3, are adequate and are being consistently applied.

### 2.2. Approach and Methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- discussions with key members of staff to ascertain the nature of the systems in operation;
- evaluation of the current systems of internal control through walk-through and other non- statistical sample testing; and
- identification of control weaknesses and potential process improvement opportunities;

### 2.3. Areas Covered











The audit was carried out to evaluate and test controls over the following areas:

- *Policies, Procedures and Legislation*  
The HR function is effectively managed and that statutory obligations are complied with.
- *HR Transactions and Records*  
Systems and data are adequately protected to prevent unauthorised access.
- *Pre-Employment Checks*  
Appropriate qualification, medical, experience and right to work checks are made prior to employment.
- *Contracts of Employment*  
Contracts of employment are signed prior to commencement of employment.
- *Training*  
Mandatory training is attended by all employees.

### 3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies, Procedures and Legislation			<b>Recommendation 2</b>
HR Records and Transactions			
Pre-Employment Checks			
Contracts of Employment			
Training			<b>Recommendation 1</b>

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

## 4. Observations and Recommendations

### Recommendation 1: New staff should complete mandatory training (Priority 2)

<p><b>Recommendation</b></p> <p>All new staff should complete the mandatory training requirements within three months of starting their employment. An email reminder should be issued to all managers one month before that deadline. Spot checks should be carried out by HR on a quarterly basis for all new starters to ensure mandatory training is being undertaken and completed within the set deadline.</p>
<p><b>Observation</b></p> <p>The Council has in place a programme of 17 mandatory training courses for all staff and a further 6 for Managers. This is made up from 11 E-Learning courses and 6 'Internal Live Teach' courses for all staff and 12 E-Learning courses and 11 'Internal Live Teach' courses for Managers. Members of staff are required to complete the training modules within three months of commencing their employment. Completion of the training programme is currently monitored by individual Managers. When staff complete mandatory training this provides necessary knowledge to perform their duties at the Council in a safe and responsible manner.</p> <p>A sample of ten new employees that had commenced employment since April 2013 was selected for testing. It was confirmed that:</p> <p>For all staff E-Learning, 2 employees had not been added to the DORIS system, 5 had completed 0 out of 11 courses, 2 had completed 1 out of 11 courses and one had completed 8 out of 11 courses. Out of 110 courses which should have been completed in total 10 had been, 9%.</p> <p>For all staff Internal Live Teach, of the 8 employees tested 2 had completed 1 out of 6 courses, 1 had completed 2 out of 6 courses, 3 had completed 4 out of 6 courses and 3 had completed 5 out of 6 courses.</p> <p>Of the sample of 10 new joiners selected 2 were Managers both had completed 0 out of 1 Manager E-Learning and 0 out of 5 Manager Internal Live Teach.</p> <p>Furthermore, from the testing carried out there was no evidence to confirm that monitoring of completion of the mandatory training had been carried out and/or that reminder had been issued where training had not been completed.</p> <p>Where staff have not completed mandatory training programme here is a risk that they perform actions which adversely affect their safety and the objectives of the Council and may not be inline with Council policy and Legislative requirements.</p>
<p><b>Responsibility</b></p> <p>Organisational Development and Training Team Leader</p>
<p><b>Management response / deadline</b></p> <p>Agreed.</p> <p>HR to issue a reminder to all managers informing them of their responsibility to ensure that members of staff complete their mandatory training within the specified deadlines and how to register the completion of courses on EIS.</p>

An automatic email reminder will be sent to managers (on the employee's two month anniversary) to remind them that their staff need to attend all mandatory training in the first three months

A quarterly report will be run identifying new starters who have been employed between three and six months upon which spot checks (20%) will be carried out to see whether they have attended all the mandatory training. There are approximately 30 new starters per quarter.

A monthly report will be run to identify all new starters so that their details can be added to the DORIS (e-learning system)

Ensuring staff complete all mandatory training must sit with managers, as it would be impossible for the training and development team (Approx. one full time equivalent) to administer this compliance process with such little resource. The above recommendations are put forward as to what is reasonably practicable with the current level of resource available.

These recommendations will commence upon agreement with the Audit Committee.



**Recommendation 2: Policies and Procedures should be reviewed. (Priority 2)****Recommendation**

HR Policies and Procedures should be regularly reviewed and updated and should be made readily available to the relevant members of staff.

**Observation**

In order that staff are aware of their roles and responsibilities in relation to the HR process, detailed procedural guidance notes should be documented and made available to all staff. Furthermore, the procedure notes should be reviewed on a regular basis and date version controlled.

It was confirmed that the policies and procedures for the function of HR are available via Sharepoint on the Council's intranet and that there are 14 sections of policies and procedures which relate to the HR function. Section 1 is specifically on recruitment and selection, and contains 29 procedure notes or templates. It was noted that 18 out of the 29 procedures have not been reviewed and updated for over 2 years. Audit also obtained the Employee Information System (EIS) user guide, which contains 20 documents and noted that a number of these procedures had not been reviewed and updated since 2002.

Audit selected the Guidelines for the Prevention of Illegal Working which is one of the procedure notes available to staff on the intranet. It was noted that the latest 'Full guide for employers on preventing illegal working in the UK' is on the Home Office website dated October 2013, however, the document on the Council's intranet was dated 2008.

Where the procedural guidance notes have not been documented, and made available to members of staff, there is a risk that staff are not working in line with current working practises which may lead to inconsistencies in the application of procedures.

**Responsibility**

HR Team Leader

**Management response / deadline**

Agreed.

The HR team are in the process of updating all of the policies and the Employment Handbook which will then be uploaded onto SharePoint. At the bottom of the policy the "last reviewed" and "updated" dates should be amended every time a change is made. This will be completed by 30<sup>th</sup> June 2014.

We will ensure that policies are updated in line with legislation and refresh the policies regularly to reflect changes in the organisation. If there are substantial changes to policy then we would consult the recognised trade unions and would ensure that Cabinet and Council sign off any changes. Employees would then be informed of the changes and written to if they are directly affected.





The policy that is referred to is currently under review. The legislation changed in 2008, and the guidance on Gov.uk shows 2013, but when the legislation was introduced it showed that in essence the same checks were carried out. We will however, update the guidance on SharePoint for completeness.

HR has a rolling programme for updating employment policies and procedures which is carried out every two years. This will be completed by 1<sup>st</sup> September 2014.

## Appendix A – Reporting Definitions

### Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
<b>Full</b>		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
<b>Substantial</b>		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
<b>Limited</b>		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
<b>Nil</b>		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

### Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
<b>Priority 1</b>	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
<b>Priority 2</b>	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
<b>Priority 3</b>	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
<b>System Improvement Opportunity</b>	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

## Appendix B - Staff Interviewed

The following personnel were consulted:

Anne Stunell – Team Leader (HR)

Bill Haylock – Team Leader (Organisational Development and Training)

## Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

### **Mazars Public Sector Internal Audit Limited**

#### **London**

#### **May 2014**

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