Audit Committee – 25 October 2010

Submission of risk for scrutiny

1.   Summary of report

1.1   This report provides feedback on the following risk selected for scrutiny by Audit Committee on 13 April 2010 from its own risk register **(Appendix 1)**.

- Risk No 11 – Impact of ineffective/inappropriate implementation of HR policies.

1.2   The risk management action plan was last reviewed in September 2010. Controls are overall adequate but there are some suggested improvements.

1.3   The risk assessment and management action plan supporting this risk is at **Appendix 1**.

2.   Recommendation

2.1   Audit Committee are requested to comment on the action plan and controls in place to mitigate the risks.

Rory Borealis   **James Walsh**
Executive Director (Resources)   **Chief Finance Officer**

14 October 2010   **13 October 2010**

3.   Governance

3.1   Audit Committee's core function is considering the adequacy and effectiveness of the risk management framework which includes the following:
- Reviewing the mechanisms for the assessment and management of risk.
- Giving assurance about the process.
- Ensuring the council meets its statutory requirements, as stipulated within the Accounts and Audit Regulations 2006 as follows:
  - Regulation 4 (1) - The relevant body shall be responsible for ensuring that the body has a sound system of internal control which facilitates the effective exercise of the bodies functions and which includes arrangements for the management of risk.
  - Regulation 4 (2) - The relevant body shall conduct a review at least once a year of the effectiveness of its system of internal control and shall include

a statement on internal control with any financial statements the body is required to publish. The outcome of the review is set out in the Statement of Internal Control (SIC) which is signed off by the Leader of the Council and the Chief Executive indicating that they are satisfied that there are robust arrangements in place for the management of risk.

3.2   Audit committee is also required to ensure that it receives reports on risk management on a regular basis and takes appropriate action to ensure that strategic business risks are being actively managed, including reporting to full council as appropriate.

4.   Resource and legal considerations

4.1   There are no direct resource implications relating to this report. The council's statutory requirements are detailed in the governance section above.

5.   Performance management and risk management issues

5.1   A risk register has been developed by audit committee to identify and manage the risks to the committee fulfilling its remit. This document is periodically reviewed ensuring that these risks are monitored and controlled.

6.   Equality implications

6.1   None arising directly from this report.

7.   Summary of Risks Selected for Scrutiny

7.1   **Audit Committee Risk No 11 - Impact of ineffective/inappropriate implementation of HR policies**

7.2   This risk first appeared on the Audit Committee risk register in February 2007 following a facilitated risk management workshop. However its original risk title has been updated and agreed by audit committee at their meeting of 13 April 2010. This risk relates to the impact of ineffective/inappropriate implementation of HR Policies. The current risk score has an impact of 3 (critical) x a likelihood of 3 (low) = 9.

7.3   To address this risk Human Resources and Development are currently undertaking reviews of a number of Human Resource Procedures. These reviews are in place to cover legislative changes and to ensure that the procedures are fit for purpose in terms of Walsall's current and future strategies. The procedures are benchmarked against neighbouring authorities and the private sector and take account of best practice guidance. They are also equality impact assessed.

7.4   **Review of the Sickness Absence Management Policy** will enable managers to robustly manage sickness absence. Consultation with managers and trade union colleagues has commenced. The revised process is likely to be renamed Attendance Procedure. The proposed implementation date is 22 October 2010.

7.5 **Review of the Redeployment procedure**. There are a number of changes as a result of the review. The trigger point for access to redeployment will be amended to allow for the decision to dismiss to be made in a timely manner. The revised procedure will allow for *notice to terminate employment* to run concurrently with the last four weeks of the redeployment period. The redeployment process will continue, and the trial period will run concurrently with the redeployment period. Redeployment will be extended to include cessation of fixed term/continuous temporary contracts of 12 months or longer; Safer Recruitment issues and other operational reasons. Representation in formal stages of the procedures amended to state a representative may be a trade union official or work colleague otherwise uninvolved in the process.

7.6 **Review of the Redundancy procedure**. There are a number of changes as a result of the review. The proposed Redundancy Procedure will provide for selection criteria for compulsory redundancy. The guidelines accompanying the revised procedure will set out a fair and equitable selection process. Clarification is provided as to when employees should be put 'at risk' in line with employment legislation. In addition the revised procedure gives advice to ensure voluntary redundancy is used appropriately.

7.7 The amendments to these procedures were presented to Appointments Board on 21 October 2010. The lead officer will advise Audit Committee of the Appointments Board's decisions.

7.8 **Review of other Human Resource procedures**. In addition the Discipline, Grievance and Managing Employee Performance procedures are all scheduled for review October – December 2010.

7.9 All revised Human Resource procedures will be supported by appropriate training for managers. Human Resources and Development managers are using multi-disciplinary teams within the function to develop the policies. The Learning and Development team and the Equalities team are part of these teams. In addition a number of sessions with managers take place to take their feedback.

7.10 HRD has also developed the Management Competency Framework which was launched in February 2010. The Management Competency Framework describes the behaviours required of a manager at Walsall Council, including how managers interact with customers and colleagues and how to manage employees on a day to day basis.

7.11 The Management Competency Framework covers 6 areas of competency; two of these specifically support the control of this risk.

7.12 Competency 1 – Communicate with people. The description of the behaviours for this competency in terms of the management of HR polices and procedures states that managers are required to:

- Explain what is expected of people
- Show an interest in and understanding of others
- Build team spirit
- Recognise and reward the contribution of others

- Support and care for others.

This competency is a key element of the management of HR policies and seeks to ensure that all officers are fully aware of HR procedures and the way in which they should be applied. This will ensure them managing the risk of failure to properly implement HR policies and reduce the risk of future grievance and tribunal matters.

7.13 Competency 4 – Manage your resources and plan for high performance to gain the maximum benefit. The description of the behaviours for this competency in terms of the management of HR polices and procedures states that managers are required to:

- Consistently apply human resource policies and procedures
- Address under performance.

This will also assist in the reducing the risks as detailed in 7.12 above.

7.14 The Individual Performance Management process has been reviewed and has been replaced with the Employee Performance Assessment process with effect from September 2010. Manager's performance against the Management Competency Framework is formally reviewed under the Employee Performance Assessment. This in turn supports the consistent application of HR policies and procedures, by reinforcing the management behaviours expected.

7.15 To support the management of this risk the Human Resources and Development Leadership Team are reviewing the Human Resources structure and have already made changes to the Human Resources Operational Services team and Account Management resource to ensure that managers receive more dedicated support to help them deliver procedures. The service provision across Human Resources and Development is also currently under review to further support organisational change and reduce risk around Human Resource products and services.

7.16 The risk is underpinned by a comprehensive risk management action plan (**Appendix 1**).

8. Consultation

8.1 The officers with responsibility for assisting the audit committee with the management of this risk selected for scrutiny have been consulted and their views and comments form the basis of this report.

9. Background papers

9.1 Audit committee risk register/files/working papers.

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Audit Committee Risk Assessment

Summary of Risk: Impact of ineffective / inappropriate implementation of HR policies

Date of Assessment: September 2010

IDENTIFYING THE RISK					
Ref	**Risk** (ie: Threat to the organisation)	**Consequence**	**Assessment of Risk**		
			I **1 - 4**	**L** **1 - 6**	**PR** **IxL**
11	Vulnerability Overcomplicated HR procedures leading to ineffective application and management of people issues Management training on the application of HR policies not addressing the skill requirements of managers.	• Increase in employees making complaints to an Employment Tribunal • Increase in successful complaints to an Employment Tribunal • Employees taking extended sick leave due to alleged stress caused by inappropriate application of HR policies • Increased costs • Deterioration in morale • Controls not improved • No proactive response	3	3	9

Rating Scores: **Impact:** **Catastrophic = 4** **Critical = 3** **Marginal = 2** **Negligible = 1**
(Affects all of the objectives) (Affects most of the objectives) (Affects some of the objectives) (Little effect to objectives)

Likelihood: **Very High = 6** **High = 5** **Significant = 4** **Low = 3** **Very Low = 2** **Almost impossible = 1**

Management Action Plan (MAP)

Risk Group: Audit Committee	Date plan updated: September 2010

Likelihood					
6					
5					
4					
3			11		
2					
1					
	1	2	3	4	
	Impact				

Risk Owner: Audit Committee | **Lead Officer: Michèle Smirthwaite**

Last Updated:

July 2009

Nov 2009

Feb 2010

Sept 2010

Last Reviewed:

July 2009

Nov 2009

Sept 2010

Risk Number	Current Risk Score	Target Risk Score	Achieved By:	Description
11	9	6	1.4.11	Impact of ineffective / inappropriate implementation of HR policies

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action		Critical success factors & KPIs	Review frequency	Key dates
Discipline & Grievance Polices were revised in 2008 and approved by Appointments Board. These policies should be reviewed on a 2 – 3 year cycle or when new legislation is introduced.	Good	Review policies and procedures to ensure they are fit for purpose and comply with current legislative requirements. Discipline, grievance and managing employee performance are scheduled to-be reviewed during October – December 2010, with a view to implementation of new policies January / February 2011.	Michèle Smirthwaite		Reduction in number of successful claims to tribunal.	Quarterly	30.9.10 and annually thereafter

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Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action		Critical success factors & KPIs	Review frequency	Key dates
Details of all grievances, disciplinary cases and Tribunal Claims are monitored and reported to CMT and Cabinet. Legal continue to maintain a register of ET cases. There has been a reduction in the number of formal grievances since the new policy was introduced.	Good	Legal to maintain a register of ET cases and the subsequent outcome.	Michèle Smirthwaite		Number of formal grievances remains low 45 grievances in 08/09 out of @ 5100 staff (excludes teachers) 0.8% of workforce. 32 grievances in 09/10 out of @ 5251 staff (excludes teachers) 0.6% of workforce.	Quarterly	30.9.10
A lessons learnt process is now in place following on from all disciplinary and grievances cases. Management action is taken as appropriate on lessons learnt recommendations.	Fair	Review and revise this process as appropriate to ensure an effective and robust lessons learnt process is in place.	Michèle Smirthwaite		Reduction in the number of successful claims to employment tribunal.	Quarterly	30.9.10
The Executive Director (Resources) completed a personal review of all outstanding grievance and disciplinary matters. As a result a number of HR procedures are scheduled for review as detailed above. HR procedures to include an escalation process if it is identified policy is not being correctly or timely implemented.	Good	HR procedures to be reviewed are: Discipline Grievance Managing Employee Performance	Pauline Lucas		Reduction in the number of successful claims to employment tribunal.	Annually	30.09.11

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action		Critical success factors & KPIs	Review frequency	Key dates
HRD to undertake a formal review process – in April 2010 and October 2010 when new legislation is implemented. To ensure in this process case law updates are identified.	Good	Review legislation changes to ensure HR procedures reflect any amendments in law.	Pauline Lucas		Identifying the impact of legislation changes.	Annually	30.09.11
Employee Performance Assessment process ensures that the performance of every employee is managed effectively and fairly. This involves an annual assessment of performance, setting individual performance objectives for the year and agreeing learning and development.	Good	The Employee Performance Assessment process is scheduled for review in March 2011.	Pauline Lucas		Completion of all EPA's.	Six months	31.03.11
HRD have developed the Management Competency Framework which was launched in February 2010. This describes the behaviours required of a manager at Walsall Council, including how managers interact with customers and colleagues and how to manage employees on a day to day basis.	Good	Management competency to be assessed as part of the Employee Performance Assessment process. Training needs to be identified as appropriate in this process. The EPA process will be reviewed in March 2011.	Pauline Lucas / Individual Managers		Completion of all EPA's. All EPA's undertaken and training identified.	Annually	30.09.11 (to be reviewed March 2011) March 2011

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