



**Comhairle nan Eilean Siar**  
**Internal Audit Review**  
**Human Resources – Core Activities**  
**Final Report – 2023/24 - 3**

**11 January 2024**

COMHAIRLE NAN EILEAN SIAR  
INTERNAL AUDIT FINAL REPORT  
HUMAN RESOURCES – CORE ACTIVITIES

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Date of Visit	September/October 2023
Draft Report Issued	11 October 2023
Management Response Received	4 December 2023
Final Report Issued	11 January 2024

Issued to:	
Chief Executive	Malcolm Burr
Head of HR and Performance	Norma Skinner
HR Manager	Carmen Macdonald
External Audit	Martin Devenny

## **SECTION 1: EXECUTIVE SUMMARY**

### **Introduction**

- 1.1 The Report has been prepared following an internal audit review of Human Resources – Core Activities as part of the operational annual internal audit plan for 2023/24. The purpose of the Report is to provide an overview of the Comhairle's arrangements for the operation and management of Human Resources – Core Activities. The scope of the audit included a review of the following objectives:
- Confirm that the Comhairle have an up-to-date HR strategy, a workforce plan and recognised policies in place;
  - Confirm that there is appropriate succession planning in the Comhairle to balance retirement and skills loss with existing employees in terms of business continuity planning;
  - Confirm that training is provided appropriately and planned and delivered in the context of the organisation needs;
  - Identify where there may be areas of skill gaps in the Comhairle, and these are identified and options considered to address;
  - Confirm that the recruitment procedures in place are adequate;
  - Confirm that pre-employment checks are undertaken once a candidate has received a conditional offer of employment;
  - Confirm that the procedures when employees leave the organisation are being followed in a consistent manner;
  - Staff are kept updated of any staff changes to departments etc. on a regular basis; and
  - Data management recording is adequate, and all records are in the process of digitisation.

### **Background Information**

- 1.2 Human Resources is responsible for the overall health and welfare of all the employees employed in the Comhairle. The wider Human Resources function is responsible for the overall health and welfare of all the employees employed in the Comhairle. This includes training, occupational health, career and succession planning, identifying and advising on skills gaps, Health and Safety, recruitment processes and other issues.

The service has, over the last two years, experienced a significant level of change as a result of planned retirements and senior staff resignations. The HR service subsequently has had to be rebuilt with new team members which has required a period of adjustments.

However, this workforce change has resulted in an acceleration of the digitisation of processes which over time will bring more efficient and effective outcomes and;

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- Strategies to address future gaps by recruiting, developing and retaining key staff have been put in place. These include training, policies, procedures, recruitment, selection and staff development strategies and succession planning;
- Monitoring arrangements in place for periodically reviewing action plans;
- Analysis of the Comhairle's current workforce profile and future workforce needs, including skills gaps, has been carried out. Given that the current Comhairle workforce in the 55-64 age bracket is 50%, this is an area that must be addressed with urgency;
- The streamlining of the Hybrid/Home Working policy is in progress now that the majority of staff have returned to the offices in some departments; and
- A corporate workforce plan 2023-27 has been presented to Committee in September 2023.

**Concluding Remarks**

1.3 Our detailed findings are included in the body of the Report. We would point out that the most significant issues arising from our review which require management attention are:

- The legal requirement that a contract of employment must be issued to new employees within 2 months of start date and where this is not possible a statement of particulars on the first day of employment; and (High 1)
- Heads of service to be reminded that FIN2 forms must be forwarded to both HR and Payroll once it is known an employee is leaving the Comhairle. This may reduce the errors that are occurring in HR and the departments if both sections are notified simultaneously. (Med 1)

## SECTION 2: RECOMMENDATIONS AND AUDIT OPINION

- 2.1 We have graded our detailed findings and recommendations, based on the likelihood of the identified weakness occurring and the impact on the Comhairle if it should occur.

The following table contains the definitions applied by Internal Audit in rating audit findings/actions and the number of recommendations in each rating.

Definition of recommendation	Grade	No.
Major weaknesses that could have a significant impact on the Comhairle if not addressed and contained urgently.	High	1
Important issues relating to controls being absent, not operating as expected or could be improved.	Medium	1
The weakness is unlikely to have a material impact on the Comhairle. These are not critical but management should address.	Low	2

Where we have identified isolated exceptions in our sample testing, and we consider that they are unlikely to recur; and would have no significant impact if they should occur;

We have classified them as minor or trivial, discussed them with relevant officers and detailed them in Appendix C to the Report.

- 2.2 Based on the audit work carried out our overall opinion is that a **substantial** level of assurance can be placed upon the control environment of the service/area under review.

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

**It should be noted that our findings and conclusions are based on the information made available to us at the time of our review.**

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11 January 2024

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**SECTION 3 – FINDINGS, RECOMMENDATIONS AND ACTION PLAN**

GRADE	FINDINGS & IMPLICATIONS	RECOMMENDATION	MANAGEMENT COMMENT	RESPONSIBLE OFFICER	TARGET DATE OF IMPLEMENTATION
High1	<p>Issuance of contracts of employment to new staff within 2 months of starting new employment is a legal requirement. By law (Employment Rights Act 1996), anyone legally classed as an employee or worker has the right to a 'written statement of employment particulars'. Legally, since 1 April 2020, you must give all new employees a written statement of employment particulars on their first working day if a contract is not being issued.</p> <p>In order to facilitate the issuing of contracts, HR have a centralised mailbox for the receipt of all FINs and a tracking system on MS Teams.</p> <p>In order for contracts to be issued on the first day of employment FINs must be received timeously from services.</p> <p>Time is required to process and approve FINs in order that contracts can be drafted and finalised FINs forwarded to Payroll for onward processing.</p>	<p>It is recommended that contracts of employment be issued to staff on their first day of employment where possible. Where this is not possible a Statement of Particulars should be issued, and the contract be issued as soon as possible and within an 8-week period.</p>	<p>As at 6 November 2023 the backlog of contracts to be drafted had reduced significantly.</p> <p>It is recognised that the volume of FINs to be processed during summer months may remain challenging.</p> <p>Contracts are now drafted on a weekly basis and options to issue contracts electronically are being reviewed to further streamline the process. Further change may be required to ensure that new employees are not commencing employment prior to FINs and contracts being processed.</p>	HR Manager	On-going

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GRADE	FINDINGS & IMPLICATIONS	RECOMMENDATION	MANAGEMENT COMMENT	RESPONSIBLE OFFICER	TARGET DATE OF IMPLEMENTATION																						
High1 (cont)	<p>A recent Recruitment Analysis Report highlighted the significant increase in the volume of recruitment activity. There are pressure points during the summer months where on average over 300 FINS can be received in a calendar month.</p> <p>The HR team are currently managing a backlog in the issuing of contracts.</p> <p>Volume of FINs received in HR from January 2023 – to date.</p> <table><tr><td>Jan</td><td>218</td></tr><tr><td>Feb</td><td>181</td></tr><tr><td>Mar</td><td>155</td></tr><tr><td>Apr</td><td>166</td></tr><tr><td>May</td><td>135</td></tr><tr><td>Jun</td><td>389</td></tr><tr><td>Jul</td><td>239</td></tr><tr><td>Aug</td><td>271</td></tr><tr><td>Sep</td><td>187</td></tr><tr><td>Oct</td><td>52</td></tr><tr><td>Grand Total</td><td>1993</td></tr></table>	Jan	218	Feb	181	Mar	155	Apr	166	May	135	Jun	389	Jul	239	Aug	271	Sep	187	Oct	52	Grand Total	1993				
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GRADE	FINDINGS & IMPLICATIONS	RECOMMENDATION	MANAGEMENT COMMENT	RESPONSIBLE OFFICER	TARGET DATE OF IMPLEMENTATION
Med 1	<p>A FIN2 form is completed in the employing department when an employee gives notice to leave the Comhairle. The form is forwarded to the HR section for finalising the leaving date and updating the records. The completed form is then emailed to payroll as authority to process the employee as a leaver in order that the employee is captured in the payroll run for their final salary.</p> <p>If the FIN2 form is not processed in the correct timeline this may result in the employee being overpaid as Payroll would not have been notified in the correct timelines of a leaving date and the employee would continue to be paid until such a time.</p> <p>We sampled 30 employees who have left between January and August 2023 and identified some issues that require to be highlighted. The sample shows that there were errors in 7/30 transactions. (23%)</p>				



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GRADE	FINDINGS & IMPLICATIONS	RECOMMENDATION	MANAGEMENT COMMENT	RESPONSIBLE OFFICER	TARGET DATE OF IMPLEMENTATION
Med 1 (cont)	<p>Five instances of FIN2 forms submitted late from the departments:</p> <ul style="list-style-type: none"> <li>• Leaving date 31/3/23, FIN2 submitted by dept 26/5/23. This would have resulted in overpayment of wages.</li> <li>• Leaving date 29/3/23, FIN2 submitted by dept 27/4/23. Resulting in overpayment</li> <li>• Leaving date 13/8/23, FIN2 submitted by dept 18/9/23. Resulting in overpayment.</li> <li>• Leaving date 29/3/23, FIN2 processed 27/4/23, Resulting in overpayment.</li> <li>• Leaving date 21/5/23, FIN2 processed in dept 19/5/23. Paid within correct times.</li> </ul> <p>This example provides us with information about what happens when FIN2 forms are not submitted on time to HR and onwards to Payroll. It is important that the cut off dates for the information to be in payroll be adhered to as this could hold up payrolls being processed and overpayments in some cases which involves additional work for staff.</p>				

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GRADE	FINDINGS & IMPLICATIONS	RECOMMENDATION	MANAGEMENT COMMENT	RESPONSIBLE OFFICER	TARGET DATE OF IMPLEMENTATION
Med 1 (cont)	<p>Two instances of FIN2 forms that were late being processed in HR:</p> <ul style="list-style-type: none"> <li>Leaving date 13/8/23, FIN2 submitted by dept 17/3/23, FIN2 processed in HR 16/8/23. Although this resulted in the correct payment being made the time from processing till reaching payroll was 5 months.</li> <li>Leaving date 28/4/23, FIN2 emailed to Payroll 5/6/23. This resulted in an overpayment.</li> </ul> <p>Issues with FIN2 forms have been highlighted through previous reviews and this will not be significantly reduced until there is a digitised system in place which the section are aspiring to achieve.</p> <p>However, in the meantime Heads of Service must implement procedures that ensures that the FIN2 forms are processed immediately and forwarded directly to both HR and Payroll.</p>	<p>Heads of Service on realising that an employee is leaving must complete a FIN2 immediately and forward to HR and to Payroll section.</p> <p>Should the HR department not complete the processes in time then at least the payroll section will have been notified that the specific employee is leaving and prepare the steps for the final processes.</p>	<p>FIN2 forms can be held within HR for a number of reasons including pending confirmation of outstanding holiday entitlement from respective services.</p> <p>All FIN 2 will now be forwarded to Payroll immediately following approval.</p>	HR Manager	Completed.

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GRADE	FINDINGS & IMPLICATIONS	RECOMMENDATION	MANAGEMENT COMMENT	RESPONSIBLE OFFICER	TARGET DATE OF IMPLEMENTATION
Low 1	The Communications Teams keep the Comhairle staff up to date with community events, regional events of interest and a vast range of other activities. However, internal communication is not evident in the Comhairle regarding the movement of staff. Staff have no awareness of new starts/leavers in the Comhairle. Previously all new starts/leavers were notified through corporate wide emails by heads of service to keep staff up to date.	To maintain good communications in the workplace CMT considers the use of the Communication Team in keeping staff up to date with the movement of new staff/leavers.		Corporate Management Team/ Communications Team	Ongoing
Low 2	We have also identified that there are staff who have left the Comhairle, and the email addresses are still enabled. The removal of all facilities is the responsibility of the Line Manager and should be undertaken when the employee leaves the organisation through the completion of the Leavers Checklist. We understand this is not happening in a lot of cases. By having this checklist in place as part of the leaving process would address the issue.	The Leavers Checklist must be completed alongside the FIN2 form to reasonably ensure all access to systems are disabled when an employee leaves.	A notice will be issued to remind managers of the importance of completing a leavers checklist.	Heads of Service/HR Manager	Completed

## **RESPECTIVE RESPONSIBILITIES OF MANAGEMENT AND INTERNAL AUDIT**

### **Responsibility in Relation to Internal Controls**

It is the responsibility of the Comhairle's management to maintain adequate and effective financial systems and to arrange for a system of internal controls. Our responsibility as internal auditors is to evaluate the financial systems and associated internal controls. In practice, we cannot examine every financial implication and accounting procedure within an activity, and we cannot substitute for management's responsibility to maintain adequate systems of internal controls over financial systems. We therefore may not identify all weaknesses that exist in this regard.

It is the responsibility of the Comhairle's management to consider the detailed findings of this Report, where such findings have a specific impact on risk registers. This may include a risk that has not yet been identified, or current risk controls which may be required to be updated to reflect any changes as a result of the findings contained in this report.

### **Responsibilities in Relation to Fraud and Corruption**

The prime responsibility for the prevention and detection of fraud and irregularities rests with management. They also have a duty to take reasonable steps to limit the opportunity for corrupt practices. It is our responsibility to review the adequacy of these arrangements, but our work does not remove the possibility that fraud, corruption or irregularity may have occurred and remained undetected.

We nevertheless endeavour to plan our internal audit work so that we have reasonable expectation of detecting material fraud, but our examination should not be relied upon to disclose all such material frauds that may exist.

**DEFINITION OF AUDIT OPINIONS AND RATINGS**

The standard definitions for internal audit assurance over an engagement are as follows:

<b>Level of Assurance</b>	<b>Definition</b>
Full Assurance	Internal control, governance and risk management are of a high standard. A sound system of control to achieve the system objectives exists and the controls are being consistently applied.
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

ISOLATED EXCEPTIONS TO EXPECTED PROCEDURES AND CONTROLS

ITEM	ISOLATED EXCEPTION	RESPONSIBLE OFFICER	AGREED Y/N	DATE OF DISCUSSION