

Sharing on Human Resources Management Audit

December 12, 2016

Objective

- To share the experience of HR Audit in the Commercial Sector for Application in the Education Profession



Key messages for the sharing session

- HRM in commercial sector and school is different, but both are about managing the most valuable asset in the entity, i.e. human resources
- There are reasons for HR audit
- Though there are many ways, there are some common values for conducting the audit
- Structure and planning are required for conducting the audit

Agenda

Human Resources Audit

- What
- Why
- How
 - Case work

What is an HR Audit?

“taking an objective look at the organization’s HR policies, practices, procedures and strategies to :

- protect the organization*
- establish best practices and*
- identify opportunities for improvement.”*

According to The Society for Human Resources Management (SHRM)

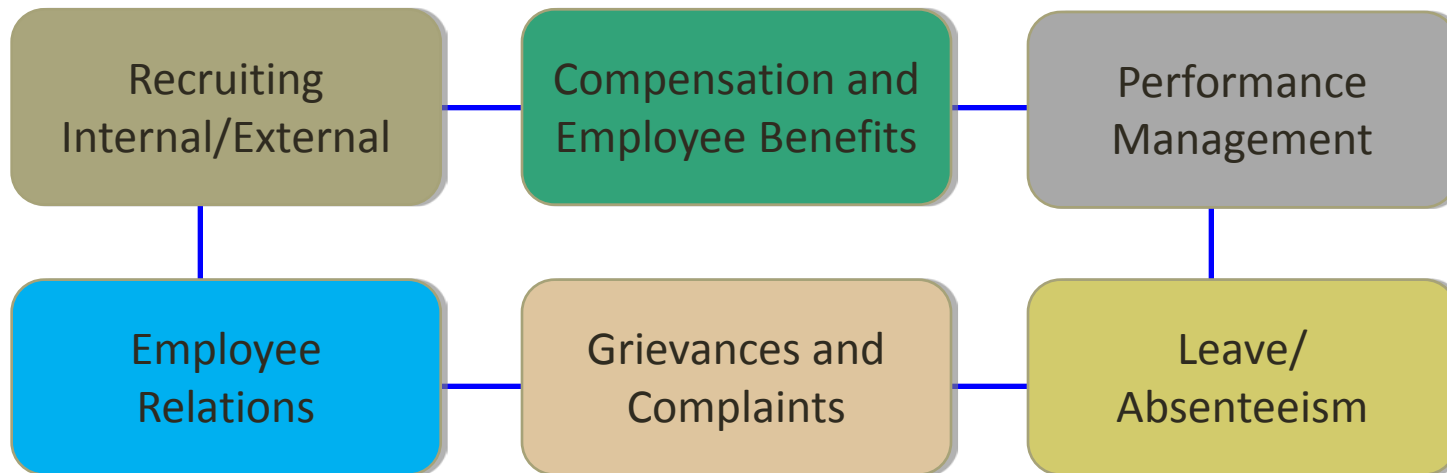
HR Audit Categorized into 3 Levels

- Whether policies and practices are aligned with strategic objectives and vision of the organization
- To improve productivity and efficiency
- Meeting recommendations by authorities and expectations of key stakeholders.
- Protect against legal, financial and regulatory liability



HR Audit on Key HR Delivery Areas

Evaluation of operational HR policies, practices and processes on key HR delivery areas:



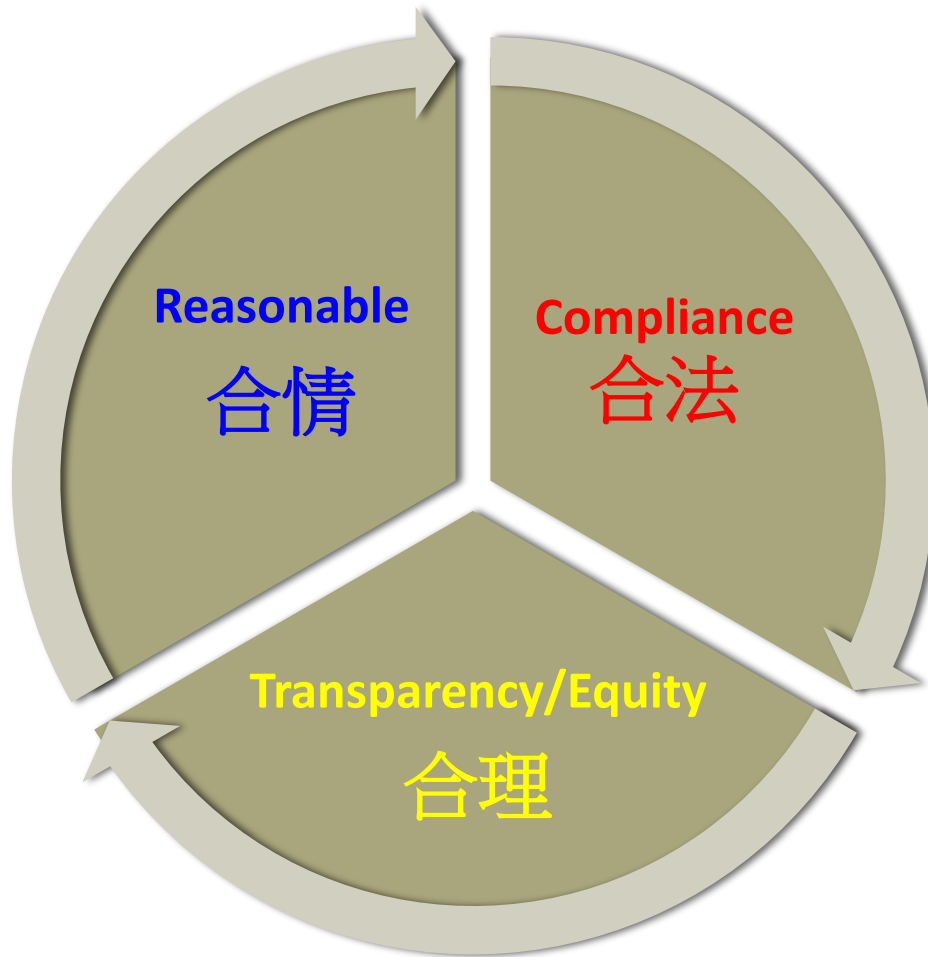
Compliance Audit

To protect against legal, financial and regulatory liabilities.

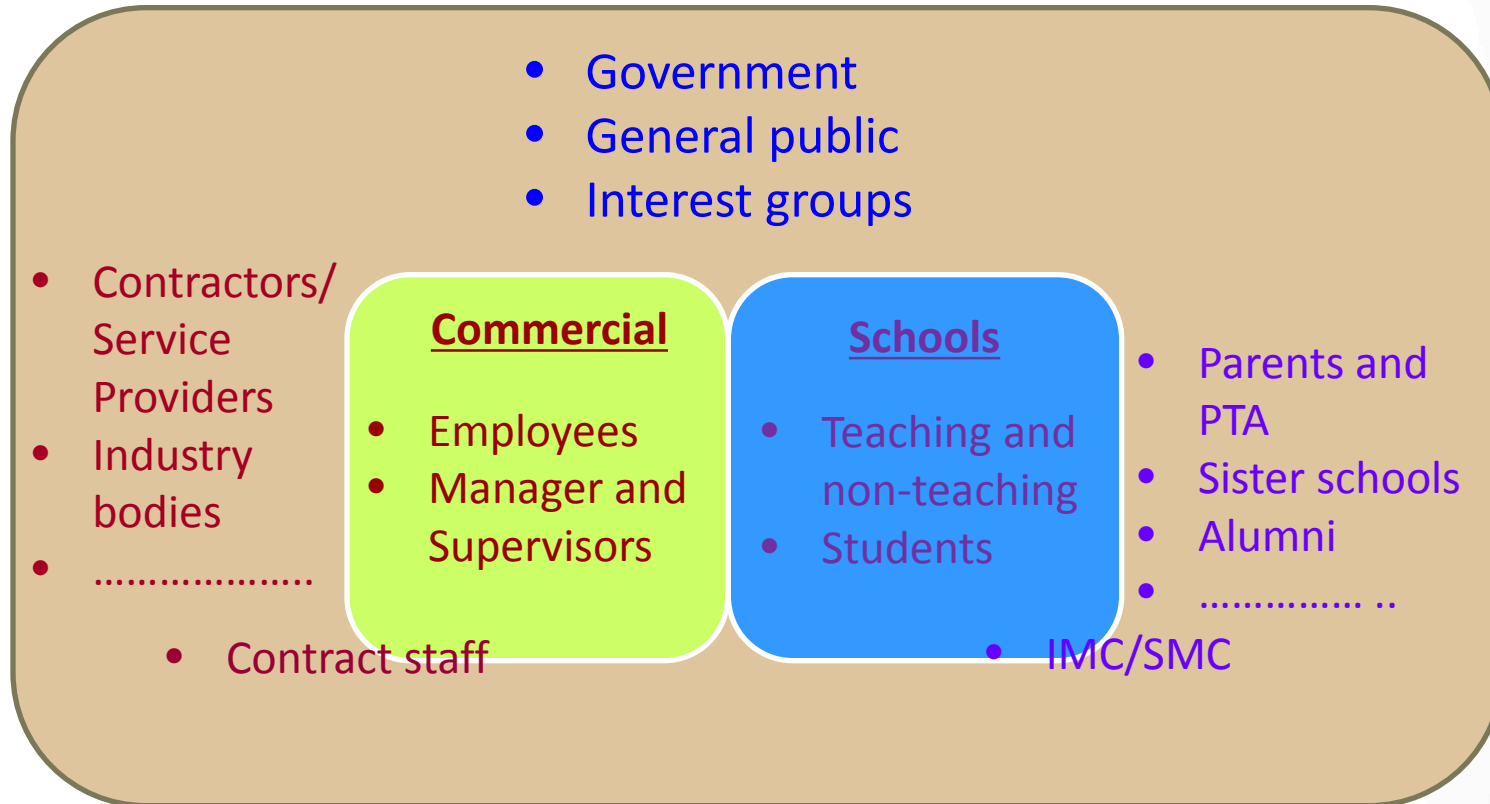
Typical risk areas are identified in the following:

- Hiring
- Performance management
- Discipline and termination
- Data privacy
- Conflict of interests

Overarching Principles for Best Practices



Stakeholders for Strategic Audit



Which are the Laws to Observe?

- Employment Ordinance
- Employees' Compensation Ordinance and Minimum Wage Ordinance
- Personal Data (Privacy) Ordinance and Code of Practice on Human Resources Management
- Regulations on Equal Opportunities such as Sex Discrimination Ordinance
- “Code of Practice” published by Equal Opportunities Commission
- Prevention of Bribery Ordinance
- Mandatory Provident Fund Schemes Ordinance
- Occupational Safety and Health Ordinance and its subsidiary legislation

Where to Find Guides for Best Practices?

- Professional bodies - Hong Kong Institute of Human Resources Management; Society for Human Resources Management
- Surveys e.g. compensation surveys, employee satisfaction surveys
- Policies and practices of industry leaders
- Policies and practices of best employers/best place to work
- Policies and practices of large employers

How about the DSS Schools?

- Education Ordinance and Education Regulations;
- Employment Ordinance and related legislation such as the Minimum Wage Ordinance, Employees' Compensation Ordinance, and Occupational Safety and Health Ordinance;
- Legislation on equal opportunities including the Sex Discrimination Ordinance, Disability Discrimination Ordinance, Family Status Discrimination Ordinance and Race Discrimination Ordinance;
- Other related ordinances such as the Personal Data (Privacy) Ordinance, Mandatory Provident Fund Schemes Ordinance and Prevention of Bribery Ordinance, etc; and
- Others: Best Practice Checklist: Governance and Internal Control in Schools (ICAC), Reference Documents on Management and Administration of DSS Schools (compiled by EDB and HKDSS Schools Council), Education Bureau Circulars, Code of Practice on Human Resources Management (Office of the Privacy Commissioner for Personal Data)

How about DSS Schools?

- Guiding principles for ensuring the proper and effective operation of schools: **
 - (a) complying with laws and regulations;
 - (b) putting the interest of students as the first priority;
 - (c) operating the school in a fair, just and open manner;
 - (d) maintaining transparency in school management;
 - (e) taking key stakeholders' concerns into consideration in decision-making process;
 - (f) deploying resources properly and effectively ; and
 - (g) making reflections and improvement through continuous evaluation.

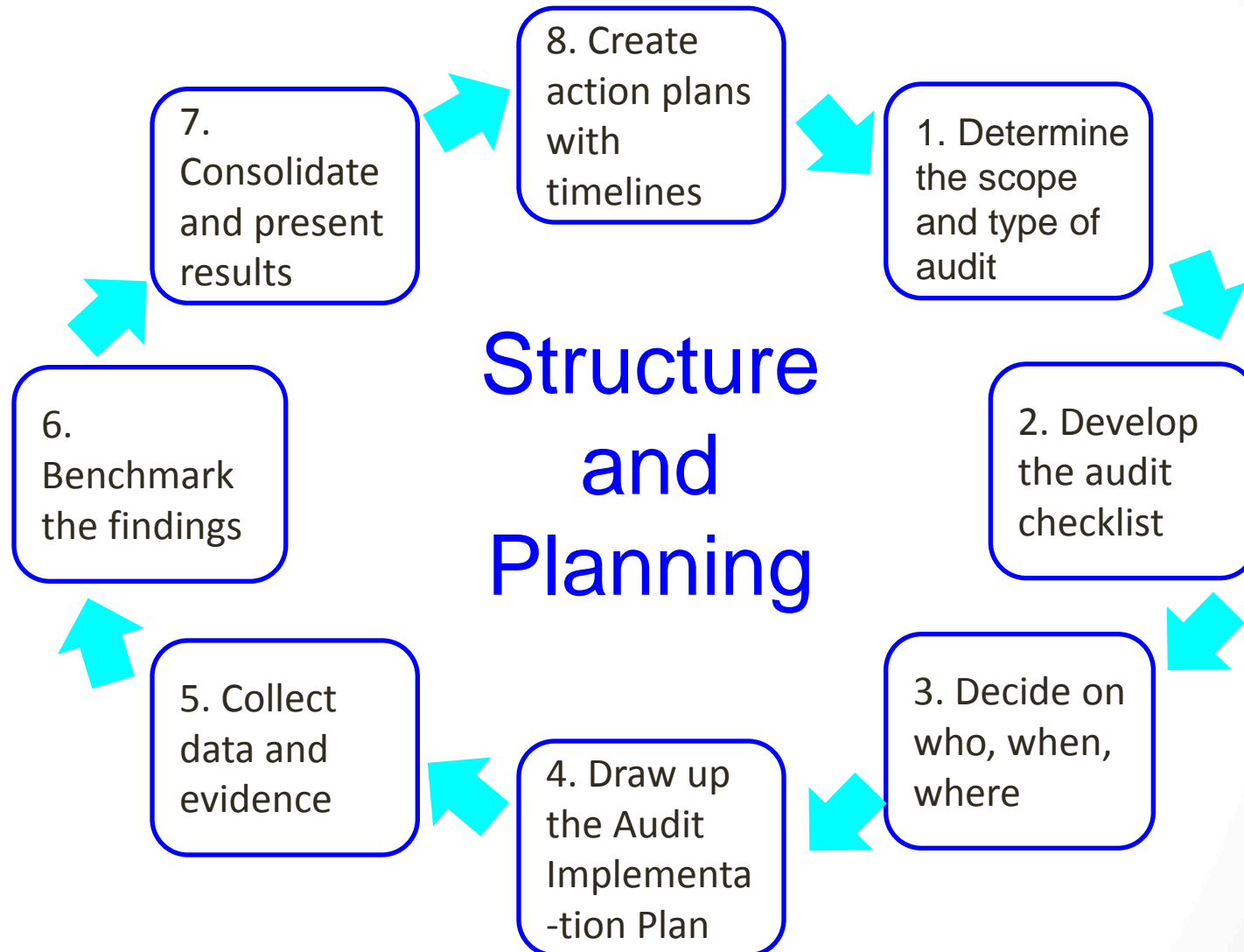
** From 'Reference Documents on Management and Administration of Direct Subsidy Scheme School'

How about DSS Schools?

- Schools will subject to the following control and monitoring mechanism **:
 - (a) Compliance vetting to check, by way of information collected regularly through available channels such as school inspections, audited accounts, etc., whether there is any breach of admission requirements, in particular in the following major areas:
 - conditions and requirements for admission to the DSS;
 - statutory requirements; and
 - financial management.
 - (b) Quality assessment such as comprehensive review, external school review and focus inspection on school performance.

** From 'Reference Documents on Management and Administration of Direct Subsidy Scheme School'

A Model on HR Audit Process



Methods to Collect Data/Evidence

- Document check and review
- Focus group
- Interviews
- Observations
- Surveys



Re-cap on the HR Audit

- Review the ***strengths and weaknesses*** in the HR system and issues that require resolution
- The Review works best if the focus is on ***analysing and improving*** the HR function in the organisation
- The Review itself is ***a diagnostic tool***, not a regulatory instrument
- The Review helps us to ***identify areas that are missing and require improvement***, but it cannot tell what we have to do to address the issues
- It allows the organisation to ***benchmark*** with other organisations



Recruitment and Selection

Rightfully putting the **right** person in the **right** job



Recruitment and Selection

Rightfully putting the **right** person in the **right** job

- The recruitment is approved by authorized body
- Recruitment is in compliance to concerned laws and regulations



Recruitment and Selection

The Right job



- Meeting the staffing need of the organization
- Defined and approved job description & requirements
- Established recruitment policy and procedures

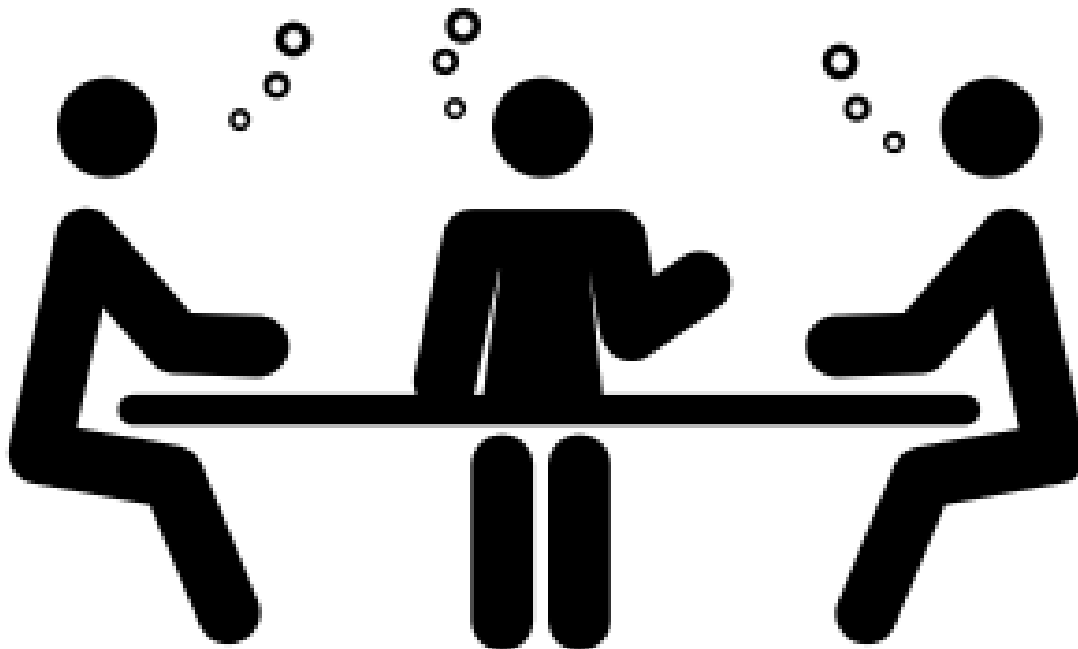
Recruitment and Selection

The Right person



- Sourced via a transparent & structured platform
- Selected based on defined and credible assessment tools
- Rewarded with fair and equitable remuneration package

Group Work



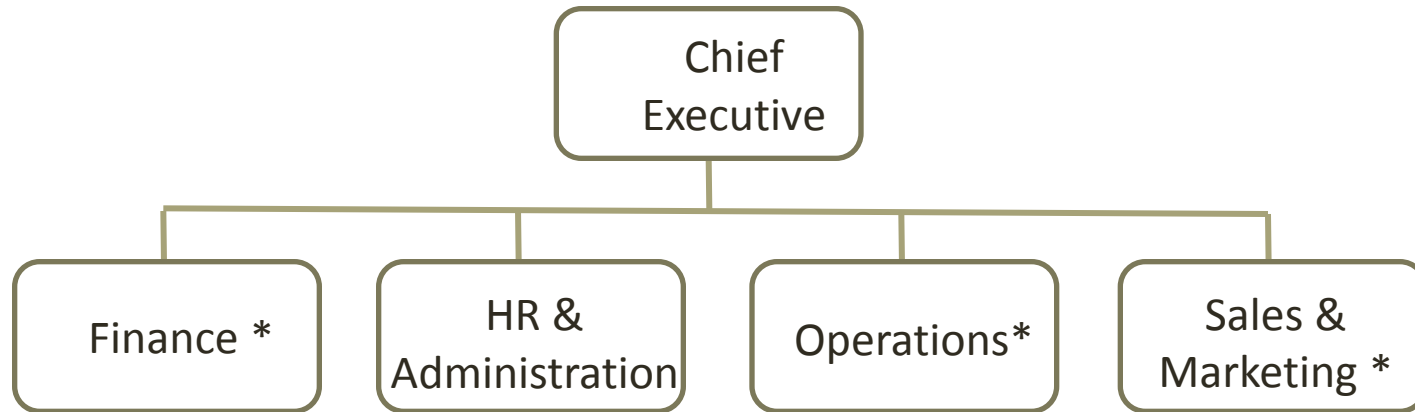
Recruitment and Selection

Exercise :

- Reference to the “Recruitment & Selection Policy of Company XYZ’ , and work out an HR Audit checklist.

Recruitment and Selection

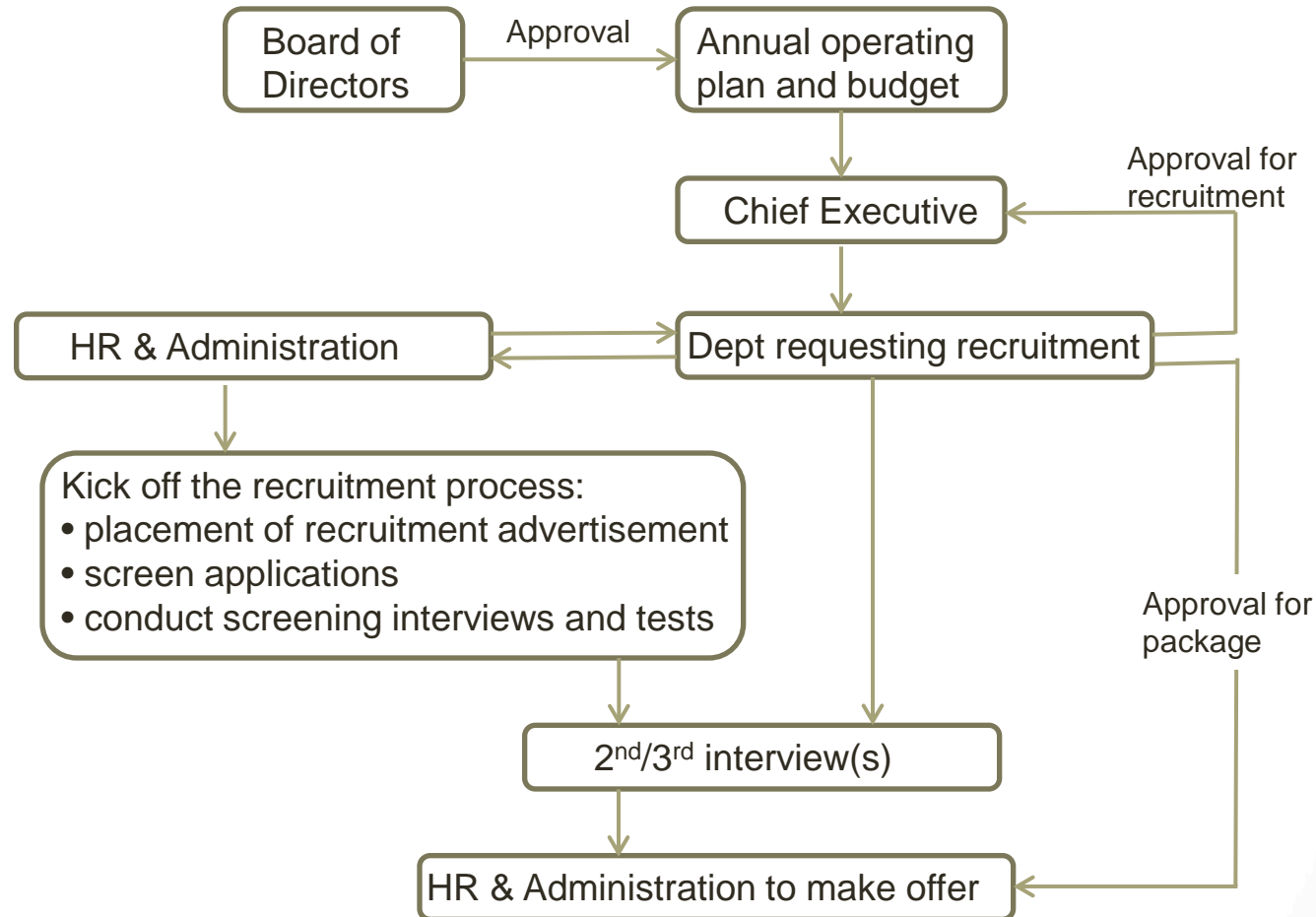
The case – O-chart of XYZ Company (simplified)



* Hiring department(s) in the case

Recruitment and Selection

The case – Flow chart of the Recruitment & Selection Process



Recruitment and Selection

The case - sample areas of audit:

1. Organisation need
2. Job Description and requirement
3. Recruitment policy and procedures
4. Sourcing channels
5. Selection tools
6. Offer and contract

Recruitment and Selection

The case – Audit checklist on Organisation need (sample)

Observations and findings:

- Presence of the annual operating and budget plan including staffing plan.
- Established remuneration policy (Point 10)
- Organisation structure – company and departmental levels (Point 10)
- Chief Executive approves headcount (Point 2) and employment offer made by hiring department (Point 10). HR is custodian of all applications. (Point 7)

Audit checklist/questions to ask:

- Is there an approved staff establishment or staffing plan?
- Is there an approved and defined remuneration policy in place?
- Is there an organization structure with clear reporting lines?
- Is there an approval matrix for recruitment?
- Is turnover rate monitored?

Recruitment and Selection

The case – Audit checklist (sample)

1. Organisation needs

- Is there an approved staff establishment or staffing plan?
- Is there an approved and defined remuneration policy in place?
- Is there an organization structure with clear reporting lines?
- Is there an approval matrix for recruitment?
- Is turnover rate monitored?

2. Job Description and Requirements

- Does every position within the organization have a valid and up-to-date Job Description?
- Have the Job Descriptions been reviewed and approved by the Management?

3. Recruitment policy and procedures

- Is there a published recruitment policy and procedures?
- Where does the job advertisement posted?
- Where and how long do we keep the applications that we received?
- Who s responsible for the initial screening of candidates?
- Who are the interviewers and what authority do they have?
- Are interviewers trained?
- Is there policy on handling conflicts of interests in the recruitment process?

Recruitment and Selection

The case – Audit checklist (sample)

4. Sourcing Channels

- How do we keep track of the source of candidates?
- Who should not refer candidates? What control mechanism is in place to ensure these people do not refer candidates?
- Any policy on referring candidates, esp by internal staff?

5. Selection Tools

- Is it clear that what selection tools are being used for what positions?
- Is it consistently applied on all applicants for the same position? Is there any exception?
- Are all interview questions appropriate and relate directly to the position and the applicant's ability to perform the job's essential functions. Do questions not discriminating race, sex, religion, age, ethnic group, national origin, marital status, disability or other protected status.

6. Offer and contract

- Who has signed off the offer to the final candidate?
- Has the employment contract template been approved by the Board and legal department?
- Are applicant reference checked?
- Is there any policy on handling exceptional cases? Approved by Chief Executive?

Performance Management Review

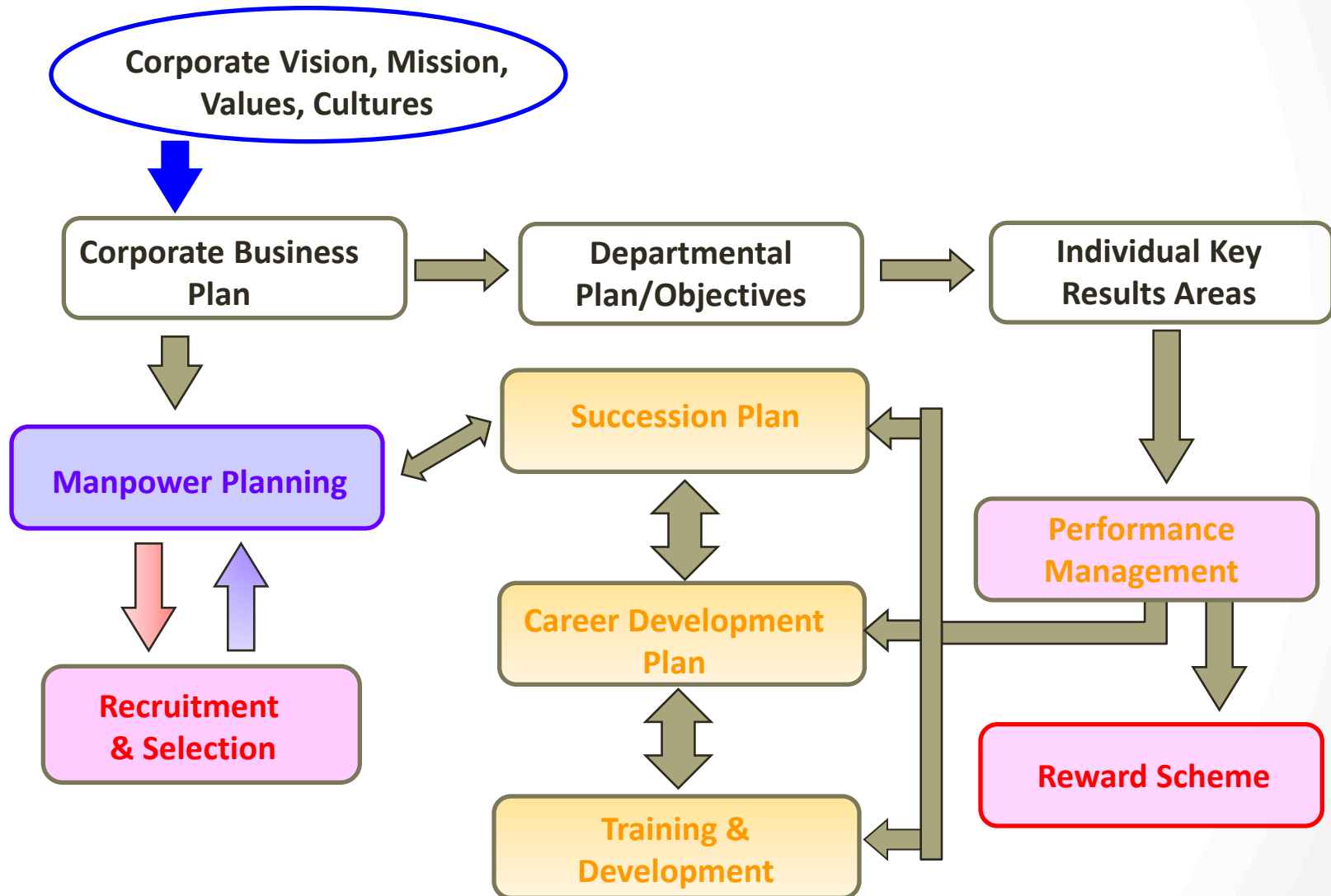


What is Performance Management

Definition:

Performance management as “an *interlocking set of policies and practices* which have as their focus the enhanced achievement of *organizational objectives* through a concentration on individual performance”

Importance of Performance Management



Adapted from 'A Handbook of Human Resources Management Practice' by Michael Armstrong.

Performance Appraisal

Performance Appraisal:

The system/process in fulfilling the performance management function, which is used to evaluate the performance of employees systematically, formally and objectively:

- To identify achievements, strengths, weaknesses of employees
- To maintain records for determining salary increases and promotions
- To motivate and reinforce desired behaviour
- To assess individual development needs and identify career aspirations
- To provide feedback to employees and enhance communication.

Principles for a good Performance Appraisal System

Systematic

- criteria of evaluation (results, skills, behaviors), weightings, consistent application, transparent

Objective

- SMART goals, evidence based, who and what levels are the appraisers

Formal

- regular and preset intervals, documentation and signatories, formal discussions, record keeping

Potential Risks re PA system

- Poor staff morale
- Misdirected efforts and behaviours
- Unfair treatment
- Discrimination
- Defamation

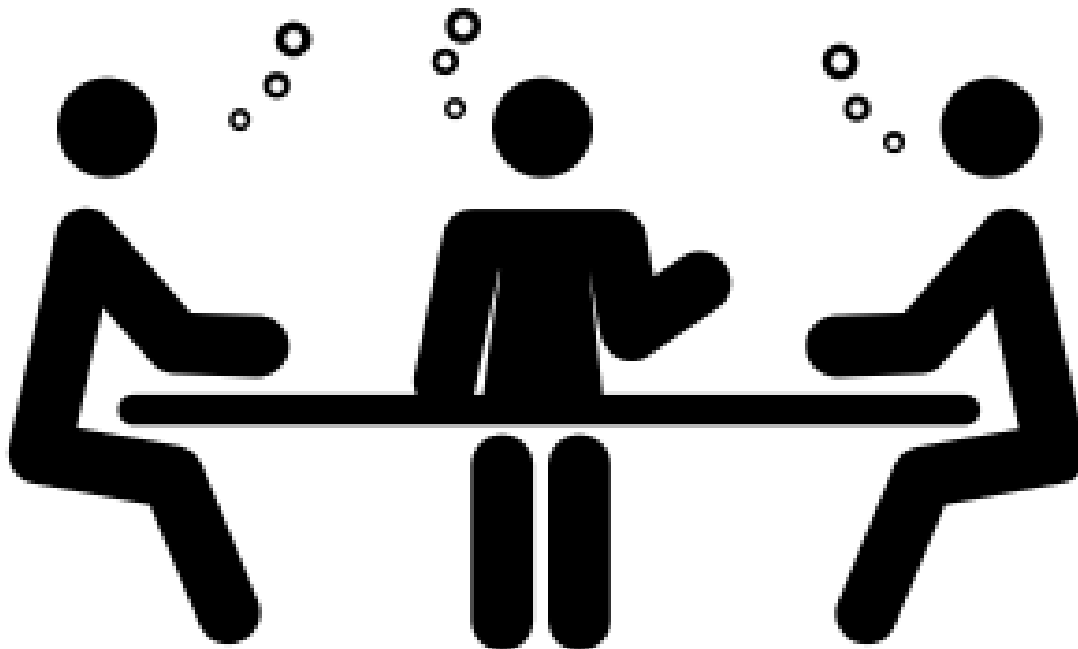
Samples of Best Practice re PA System

- Performance management system is in line with the business strategies?
- Individual performance targets are in line with the business and team targets?
- Performance management trainings are provided to appraisers and appraisees?
- Performance targets are SMART?
- Employees have their performance appraisals duly and timely completed?
- Performance appraisals are fact-based?
- Face-to-face dialogues are held for appraisals?
- PIPs are conducted for substandard performers?
- Development plans are prepared after performance appraisals?
- Rewards are linked to performances?
- Performance gaps are identified for talent assessments & development and continuous improvement actions?
- Grievances are handled by the higher management and/or HR?

Typical Performance Appraisal Cycle



Group Work



Performance Appraisal

Exercise –

Please refer to the case of ABC company.

Find the ‘**problems**’ in the PA Mechanism and make recommendations for improvement if appropriate.

Performance Appraisal

Exercise –

Facts about ABC Company	Recommendations
<ul style="list-style-type: none">• ABC Company has 8 retail outlets with 80 employees amongst them 80% work in the retail shops, 10% are drivers and deliverymen working in the distribution team, and the remaining are back office employees.• ABC has a performance appraisal form which has been used since 20 years ago. No performance objectives are set or evaluated. Employees' "general behaviors" and "work attitudes" are evaluated by appraisers. All employees regardless of their positions use the same form.• At the end of each year, employees may receive their appraisal forms by email. No face-to-face discussion is arranged. Not every employee receives the form.• Appraisers who decide to conduct appraisal for some employees usually prepare the form the day before they send the filled form to the employees.	<ul style="list-style-type: none">• Clarify the reporting structure for appraisal• Design different forms for general staff and for supervisory and managerial staff• Set measurable performance objectives• Set measurable behavioral standards for attitudes• Apply self-evaluation for managerial staff ; may not necessary for general staff• Completed appraisal forms should be given to the appraisees at least 3 days before the face-to-face appraisal interview• Appraisers and appraisees are required to sign on the form for confirmation• All PA forms should be send to HR for analysis, follow up and filing• Set policy and procedures on handling non-agreed performance appraisal results



