**ANNEX 1**

**Engagement Planning Memorandum**

**Audit Engagement: ....................................................**

**Date: April 2019……………………**

# Purpose and justification of the engagement

 In December 2015 the government of Globistan took a decision to centralize the recruitment efforts of its various ministries.

In March 2016 a separate agency, Human Capital, was created. This agency reports directly to the office of the Minister of Social Affairs.

Human Capital collects, on an ongoing basis, the recruitment needs from the various ministries. Based on the criteria defined by the ministries, Human Capital identifies the proper recruitment process. Some recruitments are internal only, while others aim to attract external candidates.

All recruitment processes start with a vacancy notice. The external vacancy notice is published in the official ‘gazette’ of Globistan and on the website of Human Capital. Candidates are invited to apply within a specific deadline. Together with their application, candidates are required to submit a set of documents. Both the application and the submission of documents can be done by mail or on-line through the website.

After a review of the documents submitted, a shortlist of candidates is prepared. Candidates on the shortlist will have to go through some tests. Human Capital developed itself a number of tests. For more complex positions, Human Capital outsources the testing to a specialized provider. The candidates who successfully passed the tests are invited for an interview. For some lower level positions, no testing may be required.

After having received feedback from the interviews, Human Capital develops a list with a proposed ranking of the successful candidates. This list is submitted to a Selection Committee, that will determine the chosen candidate. the Selection Committee is composed of some staff members of various ministries. The committee may also identify other candidates on the list to be put on a reserve list for future vacancies. Candidates on the reserve list will not have to go through the selection process anymore.

Candidates whose applications are not withheld at any stage of the process are notified by regular mail or email.

Human Capital has to comply with the new legislation on privacy.

**Business objective**

From the scenario provided, two business objectives are identified:

* Obtain the best resources in an as short as possible timeframe (government perspective)
* Run the recruitment process in an efficient, cost-effective, correct and transparent way (provider perspective)

Based on the business objective *run the recruitment process in an efficient, cost-effective, correct and transparent way* the following overall audit objective is defined: *to assure that the recruitment occurs in an efficient, cost-effective, correct and transparent way.*

# Description of the activity of the entity and of the audited process

A number of key controls have been identified to address the main inherent risks described below. section. Those particularly include:

|  |  |
| --- | --- |
| **Inherent risk** | **Key control** |
| Incorrect understanding of ministries’ needs | * Standard template for identification of needs
* Feedback from ministry once template has been completed
 |
| No timely feedback to declined candidates | * Approved deadlines for providing feedback
* Tracking system for status of application
* Automatic flagging of overdues
* Proper supervision
 |
| Applications lost in mail | * Registration of all incoming mails
* Applications coded according to vacancy
* Only applications to dedicated email address
 |
| Good candidates found already a job | * Approved deadlines for providing feedback
* Tracking system for status of application
* Automatic flagging of overdues
* Proper supervision
 |
| Leakage of tests | * Tests are developed and kept in a secure environment
* Tests can only be accessed on a need-to-know basis
* Compilation of tests can be done at the very last moment
 |
| Bad publicity in press | * This risk can only be managed by mitigating the other risks that may lead to bad publicity.
 |
| Incorrect documents submitted remain undetected | * Have a system in place that easily compares standard documents
* Have a black list of earlier falsified documents
 |
| Interviews not objective | * Members of the interview team should be selected on the basis of specific knowledge and skills
* Usage of a standard script for interviews
* Scoring mechanism to be applied by the interview team
* Having an independent observer attending the interview
 |
| Ranking of candidates is ‘arranged’ | * Ranking of candidates occurs according to their results
* Having an independent observer monitor the ranking of candidates
 |
| No respect of privacy | * Privacy regulations have been integrated into internal procedures and into the entire recruitment process
* An individual has been identified to oversee compliance with regulations
 |

# Main risks related to the audited processes

Inherent risks identified for the various processes to be covered by the audit engagement are as follows:

* Incorrect understanding of ministries’ needs
* No timely feedback to declined candidates
* Applications lost in mail
* Good candidates found already a job
* Leakage of tests
* Bad publicity in press
* Incorrect documents submitted remain undetected
* Interviews not objective
* Ranking of candidates is ‘arranged’
* No respect of privacy

# Objective(s) and scope of the audit engagement

## Objective(s)

The objective of the audit is to provide reasonable assurance that recruitment occurs in an efficient, cost-effective, correct and transparent way. The audit objective can be broken down into several sub-objectives as follows:

* To assure that the needs of the ministries are well captured and translated into correct recruitment criteria.
* To assure that the laws and regulations on privacy are respected.
* To assure that applicants are notified in a timely manner about the status of their application.

To achieve the various audit objectives the auditor needs to assess the controls in the processes involved.

The criteria to be used in the audit will be derived from the following audit reference frameworks:

* COSO Internal Control Framework
* Existing Internal procedures (government)
* Existing Internal procedures (provider)
* Privacy regulations
* Quality handbook

## Scope

The audit engagement will cover the following processes: development of vacancy notice; handling of incoming mails; handling of incoming applications; procedure of exam test; and interview process.

# Resources

*The audit will be conducted in line with the audit charter of the audit department of the ministry of Finance. To conduct the audit team members with relevant qualifications and experience will be involved. Involvement of data analyst will also be required.*

| **Audit Programme****Risk and Control Matrix** |
| --- |
| **N** | **Process** | **Inherent Risk (before controls)** | **Risk rating** | **Mitigating Controls/Attributes****(Expected)** | **Tests of design** | **Control Adequacy** | **Tests of implementation** | **X-Ref****Control effectiveness** | **Conclusion** |
| **1** | Development of vacancy notice | Incorrect understanding of ministries’ needs | High | Standard template for identification of needsFeedback from ministry once template has been completed |  |  |  |  |  |
| **2** | Handling of incoming mails | No timely feedback to declined candidates |  | Approved deadlines for providing feedbackTracking system for status of applicationAutomatic flagging of overduesProper supervision  |  |  |  |  |  |
|  | Handling of incoming applications  | Applications lost in mailGood candidates found already a job |  | Registration of all incoming mails Applications coded according to vacancyOnly applications to dedicated e-mail addressApproved deadlines for providing feedbackTracking system for status of applicationAutomatic flagging of overduesProper supervision |  |  |  |  |  |
|  | Procedure of test exam  | Leakage of tests  |  | Tests are developed and kept in a secure environmentTests can only be accessed on a need-to-know basisCompilation of tests can be done at the very last moment  |  |  |  |  |  |
|  | Interview process | Interviews not objectiveRanking of candidates is “arranged” No respect of privacy Bad publicity in press Incorrect documents submitted remain undetected |  | Members of the interview team should be selected on the basis of specific knowledge and skillsUsage of a standard script for interviewsScoring mechanism to be applied by the interview teamHaving an independent observer attending the interviewRanking of candidates occurs according to their resultsHaving an independent observer monitor the ranking of candidatesPrivacy regulations have been integrated into internal procedures and into the entire recruitment processAn individual has been identified to oversee compliance with regulationsThis risk can only be managed by mitigating the other risks that may lead to bad publicity.Have a system in place that easily compares standard documentsHave a black list of earlier falsified documents |  |  |  |  |  |