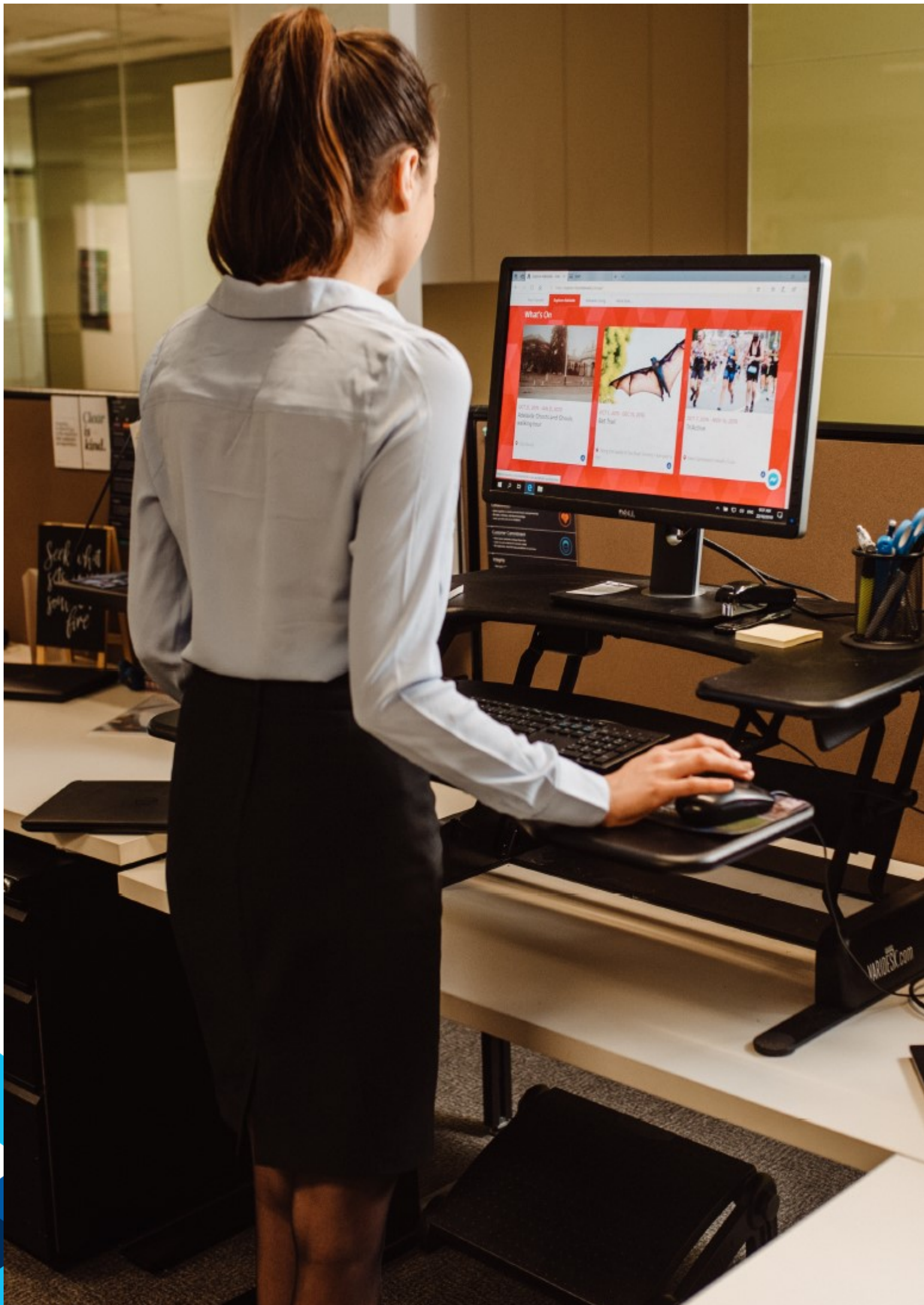


# **INTERNAL AUDIT REPORT: MERCER REVIEW**

Prepared by: Annette Pianezzola, Risk & Audit Analyst

December 2023



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Distribution			
For action:		For information and approval:	
Alana Martin	Manager, Governance	The City of Adelaide	Strategic Risk and Internal Audit Group
Louise Williams	Manager, People	The City of Adelaide	Audit and Risk Committee
		Michael Sedgman	Acting Chief Executive Officer

## 1. EXECUTIVE SUMMARY

In accordance with the 2023-24 Internal Audit Plan for the City of Adelaide (CoA), an internal audit focussing on the Council's Mercer Job Evaluation review process and how they are processed was performed. The objective, scope, approach, and findings are outlined below.

## 2. OBJECTIVES

This internal audit project aimed to assess the Mercer Job Evaluation review process undertaken by CoA to provide confidence and assurance in the methodology used to evaluate and reclassify roles.

Remuneration for employees employed under The Salaried Enterprise Agreement for Salaried Employees, and employees engaged on Common Law contracts is determined using the Mercer Job Evaluation review process ('Mercer review'). This audit considered the following four elements:

- Assessment panels
- Review of guidelines and objectives
- Approvals
- Annual assessments and timing of decision-making of evaluations.

This review is included in the 2023-24 Internal Audit Plan to assure the CoA Executive Team, the Executive Strategic Risk and Internal Audit Group (SRIA), and the CoA Audit and Risk Committee (ARC).

## 3. SCOPE

This audit has assessed the overall Mercer review framework.

### 3.1 Scope Topics

The four main audit areas are:

- **Governance Framework** – are there relevant policies, procedures and guidelines about Mercer reviews? Is the process consistent?
- **Decision Making** – is the decision-making process documented, and are outcomes recorded? Is a peer review performed on the outcome?
- **Roles and Responsibilities** – are the people on the assessment panel trained? How do staff on the panel support the process? How are panel members selected?
- **Staff Awareness** – are staff aware of the outcome once the review is completed? If dissatisfied with the outcome, what avenues are provided to staff?

### 3.2 Timeframes

- The scope was developed and approved by SRIA on 19 October 2023. The audit began in November 2023.
- Consultation and meetings with relevant stakeholders occurred from November to December 2023 to gather and source information.
- Meetings with action owners and report finalisation occurred in December 2023.
- The report will be presented to SRIA in December 2023.
- The final report will be presented to the ARC in February 2024.

## 4. METHODOLOGY

The audit focused on the Mercer review framework and processes against the following guidelines and procedures:

- The Corporation of the City of Adelaide Salaried Enterprise Agreement 2023
- Internal Process – Mercer Classifications/Reclassifications




The engagement was performed using the following approach:

- CoA staff member Annette Pianezzola, Risk and Audit Analyst performed the audit.
- One-on-one discussions with relevant CoA programs:
  - People
  - City Operations
- Review relevant documentation associated with the Mercer review process.
- Review of roles and responsibilities, including panel assessments and training.
- Review of panel assessments and peer reviews.
- Review of the decision-making process and outcomes.
- Review the avenues available to staff in case of an outcome dispute.
- Identification of any performance improvement opportunities.

## 5. BACKGROUND

### 5.1 Mercer Methodology

The Mercer Job Evaluation methodology is in Appendix D of The Corporation of the City of Adelaide Salaried Enterprise Agreement 2023. The evaluation methodology is the basis on which the Corporation evaluates and classifies positions for Salaried Employees, and the basis on which remuneration is determined for employees employed on Common Law Contracts; typically Manager, Associate Director and Director level position. Detailed in the evaluation methodology, there are factors and sub-factors:

<b>FACTORS</b>	<p><b>Expertise Factor</b></p> <p>The expertise factor measures the knowledge, experience and skills the incumbent must apply to achieve the position objectives. Interpersonal skills are also considered.</p>	<p><b>Judgement Factor</b></p> <p>The judgement factor evaluates the reasoning components of a position, focusing on the task definition and complexity, the constraints within which employees need to resolve problems and other thinking challenges of the position.</p>	<p><b>Accountability Factor</b></p> <p>This accountability factor evaluates the nature of the position of authority and involvement in managing the Corporation's resources. It includes the influence of the position's advice and accountability for results of a decision.</p>
			
<b>SUB FACTORS</b>	<p><b>Knowledge &amp; Experience</b></p> <p>This subfactor measures the education, training and work experience requirements of the position (rather than the individual's knowledge and experience)</p>	<p><b>Reasoning</b></p>	<p><b>Impact</b></p>

		Reasoning focuses on the requirements in the position for analysis, interpretation, evaluation, reasoning and creativity. It emphasises the need for judgment to resolve alternate courses of action and consider the implications of a course of action.	This subfactor is measured in terms of resources for which the position is primarily held accountable or the impact made by the policy advice or service given. It may be measured in monetary terms or in a policy/advice significance scale.
	<p><b>Breadth</b></p> <p>Breadth measures the diversity of functions performed by the position. It considers the breadth of knowledge requirements for the position and the impact of various environmental influences of the position.</p>	<p><b>Job Environment</b></p> <p>Identifies the clarity, objectives, guidelines and policies as well as the nature and variety of tasks, steps, processes, methods or activities in the work performed. It measures the degree to which a position holder must vary the work and develop new techniques.</p>	<p><b>Independence &amp; Influence</b></p> <p>This subfactor focusses on the positions level of accountability and independence in the commitment of resources, provision of advice or delivery of services. The extent of accountability is considered in conjunction with the position impact measure chosen.</p>
	<p><b>Interpersonal Skills</b></p> <p>Measures the positions skill requirements in relating to or managing people through communication, influence, persuasion, counselling, motivation and negotiation.</p>		<p><b>Involvement</b></p> <p>The involvement subfactor is concerned with the nature of the position's accountability for the management of, or influence over Corporations resources.</p>

A position may be reviewed for its classification when it is new, or there has been a change in the duties and accountabilities of an existing position. A change in a position may occur when there is:

- A change in focus or expectation by the Corporation.
- Allocation of new and additional functions and activities to the role.
- Major changes in legislation or restructuring that raise new activities for the role.
- Over time, an evolution of the position, and the tasks and activities clearly differ from the original position.

When evaluating the position, there is a focus on the work value, not the employee's performance. The work value of the position includes the knowledge, experience, skills, judgment and accountability required to perform the position's duties.

The position will be classified by an evaluation panel comprising two accredited panel members, one is generally outside of the People team, to ensure objectivity and transparency. The team leader where the position is located will work with the relevant People Services Business Partner and provide additional information or clarification to the panel as needed. It is noted that no team leader where the position sits is actively involved with the evaluation panel and undertaking the position assessment.

Each evaluation is peer-reviewed by another accredited panel member.

The Corporation performs mercer reviews for Salaried Employees; however, on occasion the People team will engage Mercer to complete the position evaluation of roles at an Associate Director level or above. Furthermore, the employee may request an independent review through Mercer if unsatisfied with the outcome.

## 5.2 Reclassification of an existing position

The following steps are taken to review the classification of an existing position:

- A request from the employee or responsible leader may initiate the reclassification. If the employee begins the request, the expectation is that this is done with the leader.
- The employee and leader will develop a new position description that clearly outlines the changes in the position's responsibilities.
- The leader will forward the old position description to the relevant People Services Business Partner with track changes made within 15 working days of receiving a request for a reclassification from the employee.
- The People Services Business Partner will form an evaluation panel by sending out a request to the panel group. Two-panel members will be selected from the responses received. This panel will determine the appropriate classification for the position.
- The People Services Business Partner will organise for the evaluation to be peer-reviewed.
- The People Services Business Partner will inform the leader of the evaluation determination.
- The relevant leader will meet with the employee to advise of the outcome of the classification review within 30 working days of the leader receiving the application.
- Once the leader has met with the employee, the People Services Business Partner will provide formal written confirmation to the employee regarding the determination.
- If the reclassification has been approved, this will become effective from the date the employee's leader received the application.
- If the reclassification was unsuccessful, a minimum of six months must lapse, and significant changes to the position must be demonstrated before a new application is submitted.

## 5.3 Right of appeal of a reclassification determination

- Where an employee disagrees with the reclassification determination, they may request a review by following the provisions of the Dispute Settlement Procedure in The Corporation of the City of Adelaide Salaried Enterprise Agreement 2023 at Clause 3.3.
- The Dispute Settlement Process in the Agreement outlines the process provided to employees to provide a means of settlement based on consultation, cooperation and discussion. It sets out the steps involved in undergoing a dispute to ensure all practices are applied during the resolution and are by equal opportunity and safe and consistent working practices.

## 5.4 Classification of a new or vacant position

All new or vacant positions (where there is significant change) should be evaluated and classified before the recruitment process begins. The following steps are taken for new or vacant positions:

## Mercer Review

- If a new position is created, the relevant leader will develop a position description using the position description templates created by People Services.
- If the position to be evaluated is vacant, the existing work must be reviewed and amended by the relevant leader.
- The leader will forward the old and new position descriptions to the relevant People Services Business Partner.
- The People Services Business Partner will form an evaluation panel to determine the appropriate position classification.
- The People Services Business Partner will arrange for a peer review of the position classification and inform the relevant leader of the evaluation determination.

## 5.5 Internal processes

An Internal Process – Mercer Classification / Reclassification document for People Services and panel members has been created. In conjunction with the Mercer Job Evaluation Methodology, this document is used by panel members when assessing position classifications. This ensures that all panel members follow a consistent approach when assessing a position classification, whether for a new or existing role. The internal process sets out the following:

- Training requirements.
- Turnaround times
- Accredited Mercer Evaluators
- Process – new job classification (new or vacant position with significant change)
- Process – reclassification
- Existing role – minor change to the position description
- Reclassifying or classifying – General Manager / Associate Directors roles

Before any assessment, where additional information or clarity is required, the relevant People Services Business Partner will discuss the position description provided with the relevant leader, and on occasion, the employee to ensure accuracy. This step in the process assists the panel members when evaluating the classification of a position.

Once the panel members have undertaken the Mercer review, the scores from the process are captured within a spreadsheet that calculates the correct classification or remuneration banding (formulas are embedded in this spreadsheet), and the range will identify the classification level at which the position is placed. The spreadsheet will identify if an error has occurred, for example, an incorrect rating has been used against a specific criterion.

In addition to the review process, a spreadsheet is used by the panel members when evaluating the position. The spreadsheet contains all relevant information required to ensure a consistent approach is followed and for history purposes to capture timeframes of previous classifications/reclassifications for relevant positions:

- Date
- Position title being assessed
- Program positions sits within
- Context (reason for assessment)
- Leader consultation (additional information obtained to assist with assessment)
- Position number



- Reports to (i.e. leader position)
- Leader's Mercer review details (this is a calculated formula)
- Reviewed date
- Panel member (two columns)
- Comments
- Panel line (the outcome of the assessment undertaken, appearing as a calculated formula)
- Panel review impact
- Panel recommendation
- Date sent for peer review

All role classification reviews are peer-reviewed to ensure transparency and accuracy of the determination. On the spreadsheet, there is a section for peer review details:

- Peer review date
- Peer reviewed (panel member)
- Peer review line (this is a calculated formula)
- Peer review impact
- Peer review recommended line (level)
- Saved in N drive by (peer review member)
- Mercer score added into Chris (if a change in level)
- Mercer Assessment, peer review and Position Description PDF'd and added in Chris (peer review member)
- Change in level

All the above information is captured in the spreadsheet to ensure a consistent approach is followed and for record-keeping. Once the classification has been finalised, this is recorded in Content Manager, Council's record management system and Chris 21, Council's payroll system, against the position.

## 5.6 Panel members

According to The Corporation of the City of Adelaide Salaried Enterprise Agreement 2023, positions will be classified by an evaluation panel comprising two accredited panel members including at least one from the People Services team and one Salaried employee to ensure objectivity and transparency. In discussions with stakeholders, in the past couple of years, accredited panel members were the People Services team and one Salaried employee. This is due to staff turnover, therefore on 6 October 2023, Manager People sent out an expression of interest to train additional Salaried employees outside of the People Services team. Five Salaried employees have been identified and currently progressing through the training requirements, which they have three months to complete.

## 6. FINDINGS

The number of findings identified during the audit is shown in the table below.

A complete list of the findings identified and agreed management actions can be found further in the Summary of Findings section of the report. Risk ratings are listed in Appendix 1.

Findings	Risk Rating
Not all correspondence is retained.	<b>Moderate</b>
Opportunity to provide refresher Mercer training sessions	<b>Improvement Opportunity</b>
Opportunity to provide easily accessible information regarding Mercer Review processes	<b>Improvement Opportunity</b>

## 7. CONSULTATION

The following CoA stakeholders were involved in meetings throughout this audit:

- Louise Willaims, Manager, People
- Bec Aitken, Team Leader People Services
- Kim Shearing, People Services Business Partner
- Lucy Mahon, People Services Business Partner
- Kiera Hanlon, People Services Business Partner
- Davin Jaehne, Talent Acquisition Advisor
- Michelle Everitt, People Services Support Coordinator
- Matt Jorgensen, Manager, City Presentation

## 8. SUMMARY OF FINDINGS

Ref #1 Not all correspondence is retained	Rating: Moderate
Description of finding	Agreed Actions
<p><b>Identification:</b></p> <p>When the People Services team receives a reclassification, they will seek two accredited panel members from the panel group to evaluate the position classification. Email correspondence is sent out with the panel members accepting the tasks. This correspondence is retained in the N drive, including the evaluation determination and correspondence with the relevant leader and the employee until the position reclassification is finalised.</p> <p>If the reclassification is successful, the information is forwarded to Payroll to be updated in the Council's payroll system, CHRIS 21.</p> <p>Once the classification has been determined and finalised, the correspondence is filed securely in the Content Manager, Council record management system. However, it was noted that some correspondence is not retained, such as email correspondence and responses to seek panel members to be on the evaluation panel.</p> <p>The risk of not retaining all correspondence regarding the reclassification of an employee's position may be perceived that only selected panel members are chosen to review a particular position reclassification. Keeping all correspondence, including the responses from the panel members elected to be on the panel for a specific reclassification, will remove or help respond to any concerns about bias.</p>	<p>Communicate to trained assessors the importance of retaining all correspondence relating to Mercer assessment processes and incorporate them into internal People Services processes.</p> <p>Provide assessors with an indicative list of the types of correspondence which should be retained.</p>

**Mercer Review**

<p><b>Recommendation:</b></p> <p>All council decisions, including email correspondence, are retained in the Content Manager.</p>	
<p><b>Position Responsible:</b></p>	<p>Manager People</p>
<p><b>Target Date:</b></p>	<p>March 2024</p>



<b>Ref #2 Opportunity to provide refresher Mercer training sessions</b>		<b>Rating: Improvement Opportunity</b>
<b>Description of finding</b>		<b>Agreed Actions</b>
<p><b>Identification:</b></p> <p>Mercer performs accreditation of Mercer training to panel members. The training is a 12-hour online session with multiple modules for the selected panel member to complete, plus a 3-hour face-to-face session. The training must be completed before commencing any evaluations. Once the training has been completed, the panel member will receive a certificate to confirm their accreditation.</p> <p>The certification provided by Mercer does not expire; therefore, you may have staff who underwent the training several years ago. In discussion with key stakeholders, it is noted that many current panel members have completed their training in the past couple of years. However, there is one panel member who was trained in 2016.</p> <p>While the process adopted by the corporation required two people to undertake an assessment, enabling ongoing peer learning, there is a missed opportunity to offer refresher training for those staff who believe this would be beneficial.</p> <p><b>Recommendation:</b></p> <p>Provide the opportunity for panel members to attend refresher training if available.</p>		<p>Establish a register of accredited assessors and record training dates.</p> <p>Make refresher training available after five years of the last accredited training occurring.</p>
<b>Position Responsible:</b>	Manager, People	
<b>Target Date:</b>	March 2024	

<b>Ref #3 Opportunity to provide easily accessible information regarding Mercer Reviews processes</b>		<b>Rating: Improvement Opportunity</b>
<b>Description of finding</b>		<b>Agreed Actions</b>
<p><b>Identification:</b></p> <p>The Mercer Job Evaluation methodology is in Appendix D of The Corporation of the City of Adelaide Salaried Enterprise Agreement 2023. The evaluation methodology is the basis on which the Corporation evaluates and classifies positions for Salaried Employees, and the basis on which remuneration is determined for employees employed on Common Law Contracts; typically Manager, Associate Director and Director level positions. The Agreement outlines the:</p> <ul style="list-style-type: none"> <li>• Job Evaluation Factors</li> <li>• Reclassification of an Existing Position</li> <li>• Right of Appeal of a Reclassification Determination</li> <li>• Classification of a New or Vacant Position</li> </ul> <p>As this information is available to all staff via the Agreement it is not easily identifiable for staff to locate and read.</p> <p><b>Recommendation:</b></p> <p>Provide a factsheet for Salaried and Common Law Employees to be placed on the People Oscar page outlining the process of a Mercer Review including the rights of appeal.</p>		<p>A fact sheet to be developed and available on the People Oscar site.</p>
<b>Position Responsible:</b>	Manager, People	
<b>Target Date:</b>	April 2024	

## APPENDIX 1: RISK MATRIX OF INTERNAL AUDIT FINDINGS

The following framework for the internal audit ratings is consistent with the CoA Risk Management Operating Guidelines and the Risk Management International Standard ISO31000:2018. The descriptions have been tailored to illustrate risk to the business operations.

### CoA Risk Matrix

CoA Risk Matrix		CONSEQUENCE				
		Insignificant	Minor	Moderate	Major	Catastrophic
LIKELIHOOD	Almost Certain	Moderate	High	Extreme	Extreme	Extreme
	Likely	Moderate	High	High	Extreme	Extreme
	Possible	Low	Moderate	High	High	Extreme
	Unlikely	Low	Low	Moderate	Moderate	High
	Rare	Low	Low	Low	Moderate	Moderate

### 8.3 Risk & Finding Descriptions

Rating	Definition	Action	Indicative Timeframe (variations to be agreed by SRIA)
<b>Extreme</b>	<p>The finding represents a control weakness that could adversely impact the business and the ability to meet objectives.</p> <ul style="list-style-type: none"> <li>• Extreme decline in quality and customer service leading to a decrease in the community’s confidence in the Council</li> <li>• Extreme breakdown in process that leads to illegal activity</li> <li>• Breach of legislation or contractual non-compliance that will result in litigation, prosecution, and penalty</li> </ul>	<p>The finding was reported to the Director immediately, and a response plan was developed with the appropriate Associate Director. Implementation updates and status reporting are managed through Promapp.</p>	<p>Actions are managed in Promapp with a timeframe of at most three months for completion.</p>
<b>High</b>	<p>The finding represents a control weakness that could adversely impact the business and the ability to meet objectives.</p> <ul style="list-style-type: none"> <li>• Major decline in quality and customer services leading to a decrease in the community’s confidence in the Council</li> <li>• Serious breakdown in process that may lead to increased and unacceptable risk</li> <li>• Breach of legislation or contractual non-compliance that will result in litigation, prosecution, and penalty</li> </ul>	<p>The finding was reported to the appropriate Associate Director immediately, and a response plan was developed with the right Manager and managed through Promapp.</p>	<p>Actions are managed in Promapp with a timeframe of at most six months for completion.</p>
<b>Moderate</b>	<p>The finding represents a control weakness that could negatively impact the business and the ability to meet objectives.</p> <ul style="list-style-type: none"> <li>• Medium decline in quality and customer services leading to a decrease in the community’s confidence in the Council</li> <li>• Medium operational breakdown in process that may lead to increased and unacceptable risk</li> <li>• Minor breach of legislation or contractual non-compliance that will <u>not likely</u> result in litigation, prosecution, and penalty</li> </ul>	<p>Findings are reported to the appropriate Manager through the Internal Audit Report and managed through Promapp.</p>	<p>Actions are managed in Promapp with a timeframe of at most nine months for completion.</p>
<b>Low</b>	<p>The finding represents a minor control weakness that could have or is having a low/ minimal but reportable adverse impact on the business and the ability to meet process objectives.</p> <ul style="list-style-type: none"> <li>• Minimal decline in quality and customer services</li> <li>• Minor breakdown in process that is not likely to affect risk</li> <li>• Minor breach of legislation or contractual non-compliance that will <u>not likely</u> result in litigation, prosecution, and penalty</li> </ul>	<p>Findings are reported to the appropriate Manager through the Internal Audit Report and managed through Promapp.</p>	<p>Actions are managed in Promapp with a timeframe of at most 12 months for completion.</p>