

Sedex Members Ethical Audit (SMETA) Best Practice Guidance

Supplement for Assessing Working Conditions for Employees of Service Providers and Contractors Working at Sites of Sedex Member Companies or remotely from their employer's operation

(Version 2 July 2013 (replaces version 1 June 2010))



This Supplement Best Practice Guidance for conducting ethical audits for contractors' employees has been produced by the current members of the Sedex Associate Auditor Group (AAG).

Supplement for Assessing Working Conditions for Employees of Contractors working at sites of Sedex member companies or remotely from their employer's operation

BACKGROUND

This common best practice supplement has been developed by the Associate Auditor Group in response to the challenge from Sedex members (typically A and AB members) to provide an ethical trade audit to assess conditions for workers who are at their site but who are not directly employed by them.

Examples would be:

- General and specialist cleaning companies
- Companies providing service staff for installation and servicing of equipment
- Transport and personnel services
- Temporary staff provided to e.g. Sedex members' warehouses

Typically these businesses (hereafter called contractors) have a central head office with management structures to administer the provision of staff

Their employees then work at a variety of locations, many of the locations often owned by the Sedex member (here after for clarity called A/AB members). In some cases the contractor may be providing a full service including managing the activities being undertaken, in others they may just be providing individuals who are then functionally managed/ controlled by the site where they are employed.

CONTENTS

The guidance does not repeat the total contents of the SMETA Best Practice Guidance, (here after called standard BPG) but seeks to highlight the areas which may need to differ. It should therefore be used in conjunction with SMETA Best Practice Guidance, currently available on the Sedex web site.

This guidance is not intended as a stand-alone document to conduct an audit, but rather as a common set of criteria to supplement audit companies' own systems.

USAGE

It is recommended that the current SMETA Report and CAPR are used for reporting this type of ethical audit.

Where additional assessment standards (e.g. Gang Masters Licensing Authority Compliance Code of Conduct) are required these will be referenced in this guidance supplement, not on the report format blanks. It will be the responsibility of the auditor/audit company to state all appropriate governing standards within the SMETA report and CAPR.

APPLICATION

In line with other SMETA processes companies who are not members of Sedex are able and encouraged to use this SMETA supplement

REVIEW

The supplement is currently being used by members of the Associate Auditor Group and we will seek input from B members who have had this type of SMETA audit, as well as NGO's and other stakeholders.



CONTENTS	Pg
SECTION 1: AUDIT PLANNING	6
1.1. RISK ASSESSMENT	6
1.1.1 SELF ASSESSMENT QUESTIONNAIRE AND SITE PROFILE	6
1.2 TYPES OF AUDIT	6
SECTION 2: AUDIT EXECUTION	6
2.1 PRE – AUDIT COMMUNICATION	6
2.1.1. BASIC AUDIT INFORMATION	6
2.2. SITE VISITS	7
2.2.1. SITE VISIT TO HEAD OFFICE	7
2.2.2. SITE VISIT TO PLACES OF WORK	7
2.2.3. RE-VISIT HEAD OFFICE	8
SECTION 3: THE AUDIT PROCESS	8
3.1. OPENING MEETING	8
3.2. WORKER INTERVIEW INCLUDING GROUP INTERVIEWS	9
3.3. REGIONAL MANAGER /SUPERVISOR INTERVIEWS	9
3.4. DOCUMENTARY CROSS CHECKS	9
3.5. CLOSING MEETING	10

SECTION 4: AUDIT REPORTS OUTPUT AND FOLLOW UP	11
4.1. REPORT WRITING	11
4.2. SEDEX AND UPLOADING THE AUDIT	11

Appendices

APPENDIX A1: GUIDANCE BY CLAUSE	12
APPENDIX A2: DETAILS ON ANNOUNCED, SEMI ANNOUNCED AND UNANNOUNCED AUDITS	16
APPENDIX A3: PRE – AUDIT COMMUNICATION	16
APPENDIX A4: AUDIT LENGTH SAMPLE SIZE AND TIMETABLE	17
A4.1. TABLE OF SAMPLE SIZE, SAMPLE PLAN AND AUDIT DAYS	17
A4.2. AUDIT PLANS EXAMPLE PROGRAM FOR AN AUDIT	18
A4.3. CLEAR AND PLANNED COMMUNICATION	18
A4.4. CONSIDER ALL PARTIES	18
A4.5. FOLLOW UP AUDITS	18

Section 1: AUDIT PLANNING

1.1. RISK ASSESSMENT

1.1.1. SELF-ASSESSMENT QUESTIONNAIRE AND SITE PROFILE

Unlike other SMETA audits, which are typically undertaken at a single location, to fully evaluate the conditions of employment, the auditor will need to visit both the head office operation and a sample of sites to which the contractor's workers are allocated.

It is therefore important to obtain information prior to the audit on the number and nature of locations at which workers are employed. This will permit the auditor to agree a sampling plan and to select sites to visit. Contact numbers should also be obtained for the sites, any relevant operatives if working remotely and any regional managers or supervisors.

Much of this would be contained in the self-assessment questionnaire but it may be necessary for the auditors to obtain additional information in order to be able to plan the audit appropriately.

1.2. TYPES OF AUDIT

Service provider audits are generally 2-pillar audits as the services are not provided at the contractors' own sites and it is unlikely that they would be in control of environmental issues at the sites.

The sequence of audits is the same as for standard SMETA audits with full and partial audits undertaken as needed to assess performance and verify corrective actions taken.

SECTION 2 : AUDIT EXECUTION

2.1 PRE AUDIT COMMUNICATION

2.1.1 BASIC AUDIT INFORMATION

In line with standard BPG, the aim of the audit is to evaluate the performance of the organisation against the Ethical Trading Initiative Base Code, local law and any other additional requirements.

This will involve visits to a number of sites which may be at different geographical locations. Since the audit will be checking policies and procedures against actual practice the auditor needs to consider the order of visits.

2.2 SITE VISITS

2.2.1 SITE VISITS TO HEAD OFFICE

The auditor's site visits should start with a visit to Head Office or other location where the HR management is located and documentation is held.

The aim of the day is to obtain understanding of the company's organisation and practices and to review policies, procedures and documentation relating to all topics in scope.

There should also be an Initial review of workers' files and records including (but may not be limited to):

- Business licenses, insurances, tax and NI registration,
- Recruitment and employment practices,
- Wages and hours records,
- Grievance and disciplinary findings,
- Training records.

2.2.2 SITE VISITS TO PLACES OF WORK

The auditors should then visit a number work sites, the number will depend on the total number and level of variation of sites of employment.

The aim of the visits is to interview workers to investigate the issues reviewed at the head office site, especially:

- To explain the audit process as a wish to confirm employment practices and to reassure individuals involved,
- How policies and procedures are carried out in practice,
- Highlight areas of potential cross-over (or gaps) between the responsibilities of the contractor and the site of employment,
- How supervisors and /or intermediaries manage their teams' terms and conditions.

N.B

1. Supervisors and local managers who may cover multiple locations may not be available at any one point.
2. It is not necessary to conduct a full facility tour at each location visited and the auditor should restrict themselves to ensuring that the employees have been given appropriate training and that they are aware of all important points regarding health & safety as it applies to their own job. The purpose of the audit is to review the procedure of the contractor and how the workers have been protected rather than to audit the health & safety at the site where they are working.
3. It may not be appropriate for photos to be taken at each location, especially if the location at which the employees are situated has not given permission for this or if the photos could identify the location/company and this has not been authorized. However, photos identifying specific points of non-compliance should be included.

2.2.3 REVISIT HEAD OFFICE

After gathering information from the employment sites the auditor will need to revisit Head Office or other location where the HR management is located and documentation is held.

The aim is to cross-reference information gathered from the workers and work sites and to gather further specific evidence necessary:

- To either clear a potential non-conformance or discuss and agree a corrective action,
- To conduct a thorough closing meeting to discuss all findings and agree on corrective actions.

N.B. This is particularly important as this industry sector has little history of ethical audits and their management is likely to require more time to understand the issues concerned and the expectations on improvement.

SECTION 3: THE AUDIT PROCESS

The on-site audit will usually follow the same number of steps as a standard SMETA:

- Opening meeting.
- Management interviews and documentary reviews.
- Unannounced/semi announced Site Visits to conduct Worker interviews.
- Auditor pre-closing meeting.
- Closing meeting.

There are some specific additions.

3.1 OPENING MEETING

The following additional areas of clarification/preparation are required.

- Confirm the scope in terms of activities and clients to be covered and any groups of workers to be excluded.
- Confirm that all necessary clients and workers have been communicated with.
- In the case of unannounced/semi announced audits, explain the reasons for conducting these and confirm that as much communication as possible has been completed.
- Confirm the owner of the report and explain the confidentiality of the audit as well as agree who will receive the report copy.
- Explain the selection process for employees for interview and that these interviews are confidential.
- Confirm that workers have been advised that any time taken for interviews will be paid and obtain a written confirmation that can be shared with any workers selected.
- Agree date and time of closing meeting. Ensure that enough time is allowed to re-investigate non-compliances as required.

3.2 WORKER INTERVIEWS INCLUDING GROUP INTERVIEWS

Worker interviews will be undertaken at the location where the workers are deployed.

Selection of workers will only be undertaken by the audit team. The selection of workers will be determined by the sites selected and the working patterns at those sites. The auditor will ensure a fair representation of sites is visited.

The sites will be visited after the head office or other location where HR and associated records are located. Interviews will be undertaken in such a way as to limit the disruption to operations and where necessary interviews may be continued after working hours.

It may be more difficult to find private areas where interviews can be undertaken and the auditor must remain flexible on this point. However, no management or supervisors should be present in interviews and care should be taken to ensure that conversations cannot be overheard.

The auditor should communicate to interviewees that all information will be managed with discretion and the interviewee's identity will remain confidential. Reassurance should also be given about the fact that workers will be paid for their time and a number left for workers to feedback if this does not occur or any negative repercussions after the visit.

In some cases it may be necessary to conduct interviews remotely e.g. by phone where employees are not based at a specific location, are of a seniority to make this viable and language is not an issue.

3.3 REGIONAL MANAGER / SUPERVISOR INTERVIEWS

Arrangements should be made to meet with a sample of local managers or supervisors as appropriate.

The aim is:

- To review their role in the implementation of any Head Office policies and procedures,
- To look at the day-to-day running and decision making as this affects working conditions,
- To review any documentation that may exist at this level,
- To discuss communications systems in place for workers to raise concerns and grievances or to make other suggestions.

3.4 DOCUMENTARY CROSS CHECKS

After the site visit a further visit will be undertaken at the head office or location where documentation is held.

The aim is:

- To cross-check any points raised through the site visits and interviews,
- To review any information that required specific permission from workers before access could be given.

3.5 CLOSING MEETING

The closing meeting will normally be held at the head office or location where documentation is held and managers are present.

The aim of the closing meeting is:

- To inform and agree with the management the findings of the audit,
- To verify their confirmation of the findings through signing off the CAP,
- To discuss and agree any corrective actions suggested by the company,
- To agree timescales for corrective actions.

N.B. Additional time should be planned for this element as the management is less likely to be familiar with the issues and may have more questions about approaches to drive compliance.

The scope and names of locations to be mentioned on the report (see below 2.2.6 report writing) should also be agreed at this meeting, particularly with reference to any client names as well as the dissemination of the report.

Section 4: AUDIT REPORTS, OUTPUT AND FOLLOW UP

4.1 REPORT WRITING

In view of the complexity of these types of supply chain

It is important that the scope of records reviewed and sites visited are clearly detailed in the report so that readers can see whether the findings relate to all activities undertaken by the company or only those provided to certain clients. However, care should be taken to ensure that specific client names are not mentioned and that references are made in such a way that confidentiality is protected.

It is also possible that issues will be discovered that are not in the direct control of the auditee (contractor) but relate rather to responsibilities of the companies (A/AB's) whose sites are visited.

In such cases it is recommended that:

- This cannot be raised as a non-conformance on the audit performed on the contractor as corrective actions will be outside of his control.
- It may be raised as an observation on the report but should clearly highlight the action (if any) that can be expected from the auditee.
- Where discussion with the client (A/AB) was undertaken prior to the audit, any issues found should be alerted to them as the company who controls the management of the workplace site.

4.2 SEDEX AND UPLOADING THE AUDIT

The audit should be uploaded to Sedex as described in the full Best Practice Guidance.

Each non-conformance will be detailed in the Sedex audit record and the method of verification will be added following the SMETA Non-Compliance Guidance. The auditor should remain in contact with the auditee and verify corrective actions on the Sedex system as the auditee completes them.

Where a follow-up audit is required this should be conducted so as to visit relevant locations and obtain sufficient evidence to enable a decision to be made regarding the efficacy of the action taken.

Appendices

APPENDIX A1: GUIDANCE BY CLAUSE

For guidance on this section consult standard BPG. Detailed below are some additional requirements and points to note, specific to this type of supply chain.

This may not be a definitive list for all areas, it is essential that the auditor/audit company is aware of local laws and regulations covering this type of employment.

Where issues are found it is the responsibility of the audit company to record the relevant law/regulation/code detail on the SMETA report and CAPR.

0. MANAGEMENT SYSTEMS AND CODE IMPLEMENTATION

Since the audit is checking systems of the employees of contractors working at a site, the following additional checks are important:

The auditor should:

- Check that the contractor company is named, licensed and registered with the income tax authorities.
- Check that the contractor's company is registered for sales tax, or the required schemes as appropriate.
- Check that income tax and social insurance are collected and paid to the relevant authority, with records kept for the legally required number of years.

NB. The above requirements are specific to the UK. The auditor must be aware of the laws governing contractors in the country of operation.

1. EMPLOYMENT FREELY CHOSEN

No additional requirements.

2. FREEDOM OF ASSOCIATION

Owing to the nature of the work sites where only a few contracted workers may be involved, it is less likely that traditional Union or workers committees will be found.

The remote nature of work and potential for lone working makes the need for effective communication mechanisms more important.

The auditor should investigate:

- The attitude of company in relation to Unions and their acceptance of Union representation,
- Ability of workers to join trade unions or worker groups of their own choosing,
- Methods of communication between workers and their remote employer,
- The views of workers on the effectiveness of any worker representation present,
- The views of workers on the effectiveness of communication methods,
- The ability of workers to bargain collectively.

3. HEALTH AND SAFETY

This will be reviewed in a number of ways.

- Health and Safety policies and procedures at head office.
- Health and Safety practices at the remote work sites and whether they match the policies and procedures detailed at head office.
- Training procedures for new starters and workers operating on clients' (A/AB's) premises.
- Arrangements between company (contractor) and clients (A/AB's) to ensure that all responsibilities are covered.
- Availability of Employers Liability Insurance to cover company (contractor) workers while in clients' premises.
- Provision of any transportation and compliance with safety requirements in relation to Public Service Vehicle requirements where applicable.

It should be noted the health & safety of the head office itself should form only a small element of the head office site audit as the primary focus of the welfare of the employees working at remote sites.

4. CHILD LABOUR AND YOUNG WORKERS

No additional requirements.

5. LIVING WAGE

The checks as per the normal SMETA are required. Particular emphasis should be placed on rates being offered for overtime and on any deductions for uniforms, tools etc.

6. WORKING HOURS

Working hours' records should be checked at Head Office, with any local records held at the site at which workers are located, with the regional manager or supervisor if applicable and with the workers themselves.

Where discrepancies are found it is important to ensure that there is agreement on how working hours are being calculated.

The auditor needs to establish whether breaks and additional time taken to complete work are being included in the totals or if the company is operating a system of paying a fixed number of hours regardless of time taken to complete tasks.

7. DISCRIMINATION

No additional requirements are required, however, in the interviews the auditor should discuss and understand whether any unacceptable practices are to be found at the site at which the worker is located and whether there are systems for the worker to raise these and have them dealt with through their own company's structure.

8. REGULAR EMPLOYMENT

No additional requirements.

8. SUB-CONTRACTING, HOMEWORKING AND EXTERNAL PROCESSING

Whilst it is unlikely that any form of home working or external processing will be found, there is a high possibility of sub-contracting, especially on services such as installation and maintenance. Equally there may be cases where labour providers or temporary agencies are sub-contracting the provision of labour to another agent and these situations require particular checks.

In such cases, the auditor should check:

- There are details of all sub-contractors used, the number of hours they provided and records demonstrating any sub-contractors' compliance with this code are available.
- There is documentary evidence of a contract between the Contractor and all Sub-Contractors.
- There is evidence that workers supplied by a Sub-Contractor are treated in accordance with this Code.
- There is documentary evidence of the number of hours worked by all workers of all Sub-Contractors.
- There is evidence that where Sub-Contract labour is used this fact has been declared fully to the client company.
- There is evidence that where individuals are treated as self-employed that this complies with relevant tax laws.

9. DISCIPLINE

No additional requirements are required, however, in the interviews the auditor should discuss and understand whether any unacceptable practices are to be found at the site at which the worker is located and whether there are systems for the worker to raise these and have them dealt with through their own company's structure.

10. OTHER ISSUES

10A. ENTITLEMENT TO WORK, MIGRANT AND AGENCY LABOUR

Checks should be carried out as per guidance in standard BPG

The auditor should:

- Check systems and procedures at head office.
- Cross check these at work sites against any local systems and procedures.
- Establish practices at remote work sites by review of local documentation and interviews of supervisors/workers.

10B. ENVIRONMENT

No additional checks required.

APPENDIX A2: DETAILS ON ANNOUNCED, SEMI-ANNOUNCED AND UNANNOUNCED AUDITS

Full details on arrangements for these different types of audit is given in the full SMETA Best Practice Guidance.

In general the audit of head office operations would be undertaken on an announced or semi-announced basis while visits to the individual sites where employees are placed would generally be unannounced to the contractor although permission may need to be sought from the site owner.

APPENDIX A3: PREPARATION FOR AUDIT

A3.1 PRE-AUDIT COMMUNICATION

As well as providing the materials detailed in the Standard BPG the audit company provides the auditee with additional basic information on the audit aspects and processes which are appropriate to this type of audit.

This may include (but not be limited to):

- Gang Masters Licensing Authority requirements in the UK.
- Any relevant laws and regulations.

In particular the audit company should ensure that the auditee has informed the employees about the site visits and ensured that they are aware of the interview process and that arrangements are in place to ensure that they are paid for any time taken for this process.

APPENDIX A4: AUDIT LENGTH, SAMPLE SIZE AND TIMETABLE

The audit length will be defined based on the number and variation in type of activity undertaken at the various sites of employment. Below is a sampling plan table for a good practice approach based on the number of sites.

The table excludes audit preparation, travel, Sedex report uploading time and report writing, but includes production and detailed discussion of a CAP (Corrective Action Plan) on site.

For good practice ethical trade audits, worker interviews must include a representative sample of people at varying sites of employment. These suggested auditor-days are only guidelines. Auditors use their discretion and consider type of activity, location, and individual facility knowledge when defining the number of sites to visit and employees to interview.

A4.1. TABLE OF SAMPLE SIZE, SAMPLING PLAN AND AUDIT DAYS

Total Auditor Days	No. of work sites	Auditor - Days at Head Office	Auditor - Days at Sites	Work Site Visits	Document Samples	Interview Numbers
3	<100	1	2	4	20 or 100% if fewer employees	5 at each site or 100% if fewer employees
5	101-200	2	3	6	26	5 at each site or 100% if fewer employees
5	201-300	2	3	8	35	4 at each site or 100% if fewer employees
6	301-500	2	4	10	42	4 at each site or 100% if fewer employees
7	>501	2	5	12	42	5 at each site or 100% if fewer employees

Expectations

- Head office visits may be conducted on an announced, or semi announced basis.
- Site visits may be conducted on an unannounced , or semi-announced basis.
- A semi-announced site visit retains the good practice established in the standard BPG of “selection of the workers undertaken by the audit team“.

Notes

1. Owing to the nature of the distance of work sites from the central Head Office, any site visits will need careful planning. This is especially true where visits are semi announced or unannounced.
2. For site visits it is necessary to communicate with the head office employer management team as well as any local managers and supervisors.
3. In addition it is important to consider what communication is required with any site managers who are in charge of the facility but not necessarily in charge of the targeted workers.
4. As an example store managers may be dealing with contract cleaning staff on a daily basis, but the cleaning staff are directly managed by their own local supervisors and the management staff of their head office.
In the above example is it important to keep the store manager informed of the process to ensure they remain in control of the management of the facility.
5. Where sites are visited on a semi-announced basis, it is necessary to inform the Head Office of the time frame during which visits may be expected but they may not be given details of the exact locations and /or dates.
6. Where a regional management/ supervisory layer exists, a number of individuals at this level should be included in the interview cycle.
7. The number of interviews will depend on number of workers available at each location. However, it is important that site visits are planned to include workers from a number of shifts as well as lone workers.
8. Where necessary, telephone interviews may also be arranged either to reach remote workers who could not be visited or to continue discussions with workers if it is not possible for them to dedicate sufficient time for the interview.

A4.2. AUDIT PLANS – EXAMPLE PROGRAMME FOR AN AUDIT

As detailed above:

“Unlike other SMETA audits, which are typically undertaken at a single location, to fully evaluate the conditions of employment, the auditor will need to visit both the head office operation and a sample of sites to which the contractor’s workers are allocated”.

Audits should be planned to take place at a time that is truly representative of the contractor’s employee’s activities. This will require knowledge of e.g. shift patterns, and the auditor will be required to visit several sites possibly at various and different locations. The audit execution stages are described in Section 2.

Important points are:

A4.3. CLEAR AND PLANNED COMMUNICATION

Prior to the audit additional information should be sought.

- From the company (contractor) concerning the number of sites,
- The number of different activities at the sites,
- The details of specific clients (A/AB's) serviced by this company,
- The contractor's permission to speak to these A/AB's.

N.B. The objective is to gain permission from a number of clients (A/AB's) to visit contractors workers at their sites (A/AB's sites) as part of the audit.

A4.4. CONSIDER ALL PARTIES

It is important to note that:

The auditor must be diplomatic and ensure that the company (contractor) and clients (A/AB's) understand that the audit represents a wish by the company (contractor) to verify and potentially improve their employment practices.

Some of the company's (Contractor's) clients (A/AB's) may not permit visits to their sites to interview workers employed there. Therefore the final scope of the audit in terms of clients (A/AB's) covered and the sites visited must be clearly detailed in the final report.

A4.5 FOLLOW-UP AUDITS

The number of sites to visit and samples of documents will to a large extent depend on previous findings and the nature of checks that need to be made.

For example, if the non-compliances were discovered through documentary reviews the need for interviews with individual employees would be lower than if the non-compliances arose out of individual interview and allegations. Equally, where findings were consistent across all sites interviews a lower sampling could be taken at follow-up than where significant variances in performance was found across the sites visited.

As a general rule, however, it would be reasonable to expect that the overall length of a follow-up audit would be 50% of the time and sampling of the initial audit. This is in line with timings on standard SMETA audits.

It is also best practice to ensure that sites visited include some from the initial audit, especially where specific findings were raised, as well as some taken at random from the broader pool so as to ensure that performance is consistent.

This best practice has been developed by the current members of the Sedex Associate Auditor Group (AAG) to supplement the SMETA guidance when assessing conditions for workers providing services at a company's site but not directly employed by them. It is not intended to be used as a stand-alone document and should be read in conjunction with the full SMETA best practice guidance.



For more information on Sedex please go to www.sedex.org.uk
or email info@sedex.org.uk