

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager

SUBJECT: Recruitment and Selection, Terms and Conditions

TO: Head of People and Communications

DATE: 31 March 2023

C.C. Chief Executive
Head of Finance
HR and Payroll Manager
Portfolio Holder (Cllr Tracey)

1 Introduction

- 1.1 In accordance with the Audit Plan for 2022/23, an examination of the above subject area has recently been completed by Ian Davy, Principal Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 As highlighted in recent reports to Members, it is acknowledged that the Council is facing recruitment and retention challenges with high levels of staff turnover followed by difficulties in attracting applicants to fill the vacancies. However, this issue isn't unique to the Council, with the sector as a whole facing the same problems.
- 2.2 Whilst there is an ongoing project to consider 'Recruitment, Retention and Remuneration', this audit was undertaken to ensure that the processes in place at the Council with regards to this topic are appropriate and are not, therefore, further impacting the Council's ability to recruit to vacant roles.
- 2.3 Whilst the system in place for processing the recruitment exercises has changed, the processes in place to support this are largely unchanged, with HR staff performing the majority of roles either side of the shortlisting and interviewing stages that are undertaken by the relevant recruiting managers.

3 Objectives of the Audit and Coverage of Risks

- 3.1 The management and financial controls in place have been assessed to provide assurance that the risks are being managed effectively. It should be noted that the risks stated in the report do not represent audit findings in themselves, but rather express the potential for a particular risk to occur. The findings detailed in each section following the stated risk confirm whether the risk is being

controlled appropriately or whether there have been issues identified that need to be addressed.

3.2 In terms of scope, the audit covered the following potential risks:

1. Costs arising from ineffective recruitment e.g. need to re-advertise and repeat process. / Failed or inappropriate appointments impact on service performance.
2. Increased agency staffing costs due to inability to recruit and retain staff on the Council's current terms and conditions.
3. Roles are appointed to for which no budget exists.
4. Breach of employment and Equality and Diversity legislation in recruitment.
5. Legal challenge to decisions on recruitment and changes to terms and conditions.
6. Appointments based on fraudulent representation of qualifications / experience based on false certificates, references, etc.
7. History of criminal convictions suppressed by applicant. / Appointment of inappropriate candidate poses safety risk to colleagues or vulnerable customers.
8. Staff in the 'at risk' category are matched with and placed into inappropriate roles.
9. Ineffective use is made of the I-Trent system in the recruitment and selection processes.

3.3 These were identified during discussion between the Principal Internal Auditor, the HR and Payroll Manager (HPM) and the Learning and Development Officer (LDO). The 'increased agency staffing costs' risk is also reflected in the departmental risk register.

3.4 The work in this area underpins the internal People strand of the Council's Business Strategy which has links to the specific People Strategy.

4 Findings

4.1 Recommendations from Previous Reports

4.1.1 This section is not applicable as there were no recommendations raised as part of the last audit of the subject, undertaken in February 2020.

4.2 Financial Risks and Reputational Risks

4.2.1 **Potential Risk: Costs arising from ineffective recruitment e.g. need to re-advertise and repeat process. / Failed or inappropriate appointments impact on service performance.**

A Recruitment and Selection Policy is in place which sets out the overall process although this is known to be out of date (dated September 2019). However, the general principles still apply.

There is also a Vacancy Proforma document which guides managers through the relevant stages that need to be undertaken. This is up to date, having been refreshed in December 2022.

Other stages of the process are covered in the VARF (Vacancy Authorisation to Recruit Form) and the ERF (Establishment Request Form).

Testing was undertaken on a sample of recent recruitments to ensure that the processes had been followed correctly, with evidence being retained of adverts, shortlisting, interviewing, and contract issuing etc. No issues were identified with these aspects of the testing.

The HAY guidance notes along with the templates in place for the job description and person specifications set out how to write the documents. The guidance notes section relating to the person specification clearly sets out that the criteria included should be justifiable.

The job descriptions and person specifications for the sample referred to above were reviewed to ensure that any essential criteria included were actually essential, in order to ensure that the potential applicant pool was not being unnecessarily being reduced.

Correspondence with the recruiting managers suggested that a few of the criteria could have been desirable rather than essential but, on the whole, they were considered (by them) to be essential. In some cases, however, an appointment will be made where the candidate did not meet all of the criteria.

One manager highlighted that:

'If a candidate meets the majority of the essential criteria and there is one that they fall down on, that shouldn't in my opinion be a reason to dismiss their application and reject them. Ultimately, most people apply for jobs a level up from where they are – this inevitably means that people often won't tick all of the boxes'.

Whilst this is acknowledged, there may be some people who are interested in the roles that see the essential criteria as being skills or qualifications that they must have and are, therefore, put off from applying in the first place.

The HPM highlighted that there is a balance that needs to be struck as, if the job does not include certain essential criteria, it may be that the HAY evaluation (see below) would have graded the post lower, with the associated salary then being reduced which would affect the number and calibre of the applicants.

Recommendation

The Recruitment and Selection training provided should highlight that essential criteria should be reviewed to ensure they are commensurate with the role in order to ensure that the pool of potential applicants is not unnecessarily reduced. This should also reference the HAY guidance in place and link to the HAY representatives.

In terms of checking whether the candidates met the essential criteria, these were generally undertaken through the review of applications and through the interviews.

The HPM advised that it is the recruiting manager's responsibility to review why posts have not been filled. She highlighted that managers should contact HR Support to see if there are other options that could be explored in relation to advertising etc. with the HR Business Partners also available to discuss whether anything else could be done.

In response to questions on other tests performed (e.g. use of agency staffing at 4.2.2 below) and in other recent audits (e.g. Homelessness and Housing Advice), the main issues in relation to inability to recruit were generally around pay levels, along with specific issues such as working locations / hours (e.g. shift work in a specific location). The national and local employment figures (i.e. generally low levels of unemployment) were also highlighted as issues that are affecting the Council's ability to recruit.

The LDO advised that information on vacancies had been reported to the Senior Leadership Team (SLT) as at the end of October. The spreadsheet provided to them included commentary on whether the post was undergoing active recruitment, was covered by agency or was at 'another stage', with the report highlighting nine posts where recruitment had been attempted but had not been completed.

Whilst the raw data had been obtained from the system, the report had been manually updated to include some of the other details as the vacancy report run does not highlight if a position is being covered by agency staff.

The LDO highlighted that HR staff were still going through a learning process with regards to the reporting from the I-Trent system, having to initially prioritise specific reports and now had to learn how to set the report parameters to enable meaningful reporting from the system.

Another report that the HPM suggested could be run from the system relates to the information given by the applicants as to how they heard about the post (where specified). If this is run, it would enable HR staff and managers to assess the 'engagement rates' of the different methods of communication.

Recommendation

The report regarding the 'how did you hear about this post' question should be run on a regular basis to assess the engagement rates of the different methods of communication used.

4.2.2 Potential Risk: Increased agency staffing costs due to inability to recruit and retain staff on the Council's current terms and conditions.

A review of expenditure against the agency staff nominal code on Ci Anywhere was undertaken to identify the use of agency staff and, where possible, names of individuals and the posts held were identified from the extract.

Queries were raised with the relevant recruiting managers to ascertain whether the agency staff had been used to fill a short-term vacancy or whether their use

was as a result of an inability to recruit to a vacancy and, if so, whether the reasons for this had been established and acted upon.

Five different managers were spoken to and, where agency usage was as a result of an inability to recruit (four of the five cases), the managers all highlighted that pay was the main reason identified.

Additionally, the extract was reviewed to ascertain whether the staff had been employed via the correct route (i.e. via Comensura), with the extract filtered to identify where payments against the code had not been made to Comensura.

This only identified a few instances where the correct process had not been followed, with the main issue being where Comensura had been used for the appointment, but the individual agency had bypassed the proper billing route and had submitted invoices directly to the Council. However, the HR Business Partner was aware of the case and the issue had been highlighted to the Manager and was also raised at Managers Forum, so no further action was required.

The HPM highlighted that exit interviews will always be offered to staff leaving the Council. However, it is up to the individual as to whether they want to have the interview or not.

The standard 'questionnaire' asks specific questions in relation to whether the duties are accurately reflected in the job description and whether there are any aspects of working for the Council and the specific service area that could be improved.

If the reason for leaving is something that can be addressed, permission will be sought from the leaver so that the information can be passed on to relevant managers and, if a theme emerges, it may also be escalated to the Transformation Steering Group.

4.2.3 Potential Risk: Roles are appointed to for which no budget exists.

The standard VARF and ERF documents include sections that Finance have to complete to confirm the costs associated with the post and confirmation that sufficient budget is available.

The sample of recruitments referred to above was tested to ensure that a VARF or ERF was in place that had been signed off by Finance staff. No issues were identified, with all documents being completed as appropriate.

4.3 Legal and Regulatory Risks

4.3.1 Potential Risk: Breach of employment and Equality and Diversity legislation in recruitment.

As highlighted above, there is a Recruitment and Selection Policy in place which makes reference to the fact that 'It is the responsibility of all employees involved in recruitment and selection to ensure that statutory obligations placed

on the Council by legislation are strictly adhered to'. However, it is known to be out of date in terms of the actual processes being undertaken at the Council.

Recommendation

The Recruitment and Selection Policy should be updated to reflect current (agreed) processes.

Staff involved in interviewing candidates should undergo Recruitment and Selection training prior to being included on the panel with refresher training being undertaken every three years to ensure that they are aware of any changes to legislation and Council processes. The detail of what is included is discussed by the LDO with the trainer to ensure that the content remains appropriate.

The LDO advised that, due to the working conditions during the COVID pandemic, not many courses have been held recently so there has been some relaxation in the three-year requirement.

The LDO also highlighted that the HR Support Team will generally check who is included on the interview panel when the vacancy form is received as will inform her if none of the panel is trained.

The sample of recruitment exercises used for the previous tests was reviewed to ensure that the staff involved in the interviews had received training as appropriate.

Of the 22 staff involved in the interview panels, fourteen had received training within three years of the appointment and five had received training prior to this. Of the three staff who had not received training, one was already on the waiting list.

Where training had lapsed, the LDO added the staff to the waiting list during the testing. It should be noted that, for each appointment, there was at least one officer who had received training within the required period.

The HPM advised that 'blind applications' have been considered but they make the administration of the recruitment process hard and, whilst I-Trent can be used for processing them, the system is not really smart enough.

However, the applications ask for as little identifying information as possible (e.g. no date of birth, dates of qualifications etc.) with any sensitive information provided being saved separately and not provided to the staff involved in the shortlisting and interviews.

4.3.2 Potential Risk: Legal challenge to decisions on recruitment and changes to terms and conditions.

The Recruitment and Selection Policy highlights that staff involved in the shortlisting and interviewing of staff should complete relevant scoring documentation which should be forwarded to HR when completed.

The sample used for previous tests was checked to ensure that this documentation had been provided to HR as appropriate. However, shortlisting scoring had only been provided to HR in three of the ten sampled cases and interview scoring in five of the ten cases.

Recommendation

The Recruitment and Selection training provided should highlight that the shortlisting and interview scoring should be provided to HR for retention in the case of challenges being received.

A Joint Negotiation, Consultation and Communication Agreement is in place which is subject to an amendment that was approved by Employment Committee on 14 March 2023.

Where significant changes are proposed to terms and conditions and relevant policies, reports are prepared for Employment Committee and these highlight that consultation with Unison has been undertaken.

The HPM advised that HAY panels are used for evaluating new posts and changes to existing posts. She confirmed that the process operates as set out in the process flowchart (as held on the HR Handbook intranet page), highlighting that the panel involves all available members including (but not limited to) the HR Business Partner for the service area, the HAY representative for the service area, the Head of People and Communication who facilitates the panel meetings, and at least one other panel member to make the meeting quorate.

Each available panel member will assess the post according to the standard HAY scoring criteria. The individual results are then shared in a single spreadsheet that forms the starting point for the panel so that any differences between each panel member's assessment can be discussed and an agreement reached on the score for the post.

Once agreement is reached, the information will be passed to the HR Support Team for them to inform the relevant manager and any existing post holders. The sample chosen for the other aspects of the testing did not include any that had recently been presented to HAY. However, one of the posts was subsequently presented to HAY and the evaluation spreadsheet was provided to confirm that the process had operated accordingly.

4.4 Fraud Risks and Health and Safety Risks

4.4.1 Potential Risk: Appointments based on fraudulent representation of qualifications / experience based on false certificates, references, etc.

The testing on the sample of recruitments referred to previously also included reviews of the pre-employment checks, including evidence of the right to work in the country, obtaining of references and confirmation of qualifications claimed. This testing proved largely satisfactory although the checking of qualification statuses and certificates was not being undertaken. HR staff advised that this was the responsibility of the recruiting managers but they all assumed that HR would be performing this check.

Recommendation

The Recruitment and Selection training provided should highlight that the checking of qualifications is the responsibility of the recruiting managers.

4.4.2 Potential Risk: History of criminal convictions suppressed by applicant. / Appointment of inappropriate candidate poses safety risk to colleagues or vulnerable customers.

The HPM advised that the VARF and ERF documents completed for each post require the recruiting manager to specify whether a DBS check (Disclosure and Barring Service) is required for the role and provide a link to the criteria check 'platform' on the GOV.uk website.

She highlighted that the HR Support Team will check to ensure that the DBS check specified is relevant when the VARF or ERF is received and advised that, because of the criteria for undertaking a DBS, the Council does very few at all.

The previous sample was reviewed to ascertain whether any of the posts had been subject to a DBS check and, in the relevant cases, that these had been completed as appropriate with no 'adverse findings' being noted on them. No issues were identified.

4.5 Other Risks

4.5.1 Potential Risk: Staff in the 'at risk' category are matched with and placed into inappropriate roles.

The HPM provided a copy of the 'redeployment pool' spreadsheet that includes those that are currently 'at risk' along with those that have been placed in a role or who have left the Council after not being matched to a post.

The 'at risk' category includes those that are at risk of redundancy due to restructuring or as a result of commercial decisions e.g. to stop a service, at the end of a fixed term contract (if in the post for two or more years), ill health redeployment, or apprentices at the end of their apprenticeship.

The Redundancy and Redeployment Policy sets out the criteria for staff to be placed in the At Risk pool and be matched to available jobs.

When a VARF or ERF is received, the job will be evaluated to ascertain whether it is suitable for matching and then, if so, is there anyone in the pool that could be matched to the role, taking into account the criteria in the policy.

Staff in the pool are free to apply for any roles that are advertised (irrespective of the role and grade) and, if they apply, they will complete a skills matrix and, if relevant, will be interviewed for the role. Emails are sent to the pool on a twice-weekly basis (subject to jobs being recruited to at the time) to advise them of the roles that are available.

Upon review of the redeployment pool spreadsheet provided by the HPM, it was noted that eight staff had entered the pool during 2022/23, with three of those still in their 'at risk' period who had not yet been matched into posts. Of the other five, one had not been matched to a post and had been made redundant.

The other four cases were discussed with the HPM and it was confirmed that they had either been matched into a role following the criteria as appropriate or had applied for a role outside of the matching process (as the role did not meet the grading criteria) and had been appointed following an interview.

4.5.2 **Potential Risk: Ineffective use is made of the I-Trent system in the recruitment and selection processes.**

The LDO advised that the training would be based on what was required by each officer, with staff being at different stages of the process. Herself and the HPM have been trained by staff at Warwickshire County Council (who host the I-Trent system) and this information is then passed down to the other HR staff, with the training provided being dependant on the stages of the recruitment processes that the staff were dealing with at the time.

The other testing undertaken confirmed that the majority of relevant processes had moved to I-Trent. Two specific processes that remained outside of the system were discussed with the HPM, i.e. the VARF / ERF process and the At Risk process.

The HPM confirmed that these had been considered but, due to the 'stage' that they occupied in the recruitment process, they could not be moved onto the system. However, she advised that she was looking at making the VARF / ERF forms electronic, through the new intranet.

Following the implementation of the new system, it was decided that HR would retain control of the recruitment module although, once all HR staff are confident in the use of the system, this will be reviewed.

Devolving the recruitment process can be done on an individual basis and a trial may be run, with the selection of who is involved in the trial being based on what roles are being recruited to at the time.

5 **Summary and Conclusions**

5.1 Section 3.2 sets out the potential risks that were under review as part of this audit. The review highlighted weaknesses against the following risks:

- Risk 1 – Costs arising from ineffective recruitment e.g. need to re-advertise and repeat process. / Failed or inappropriate appointments impact on service performance.
- Risk 4 – Breach of employment and Equality and Diversity legislation in recruitment.
- Risk 5 – Legal challenge to decisions on recruitment and changes to terms and conditions.
- Risk 6 – Appointments based on fraudulent representation of qualifications / experience based on false certificates, references, etc.

5.2 In overall terms, however, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Recruitment and Selection, Terms and Conditions are appropriate and are working effectively to help mitigate and control the identified risks.

5.3 The assurance bands are shown below:

Level of Assurance	Definition
Substantial	There is a sound system of control in place and compliance with the key controls.
Moderate	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited	The system of control is generally weak and there is non-compliance with controls that do exist.

6 Management Action

6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Recruitment and Selection, Terms and Conditions – March 2023

Report Ref.	Risk Area	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.1	Financial Risks and Reputational Risks – Costs arising from ineffective recruitment e.g. need to re-advertise and repeat process. / Failed or inappropriate appointments impact on service performance.	The Recruitment and Selection training provided should highlight that essential criteria should be reviewed to ensure they are commensurate with the role in order to ensure that the pool of potential applicants is not unnecessarily reduced. This should also reference the HAY guidance in place and link to the HAY representatives.	Low	Learning and Development Officer	Training provider to be advised to update material accordingly.	30 June 2023
4.2.1	Financial Risks and Reputational Risks – Costs arising from ineffective recruitment e.g. need to re-advertise and repeat process. / Failed or inappropriate appointments impact on service performance.	The report regarding the 'how did you hear about this post' question should be run on a regular basis to assess the engagement rates of the different methods of communication used.	Low	Learning and Development Officer	Report completed. Quarterly analysis scheduled to review and action accordingly.	July 2023

Report Ref.	Risk Area	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.1	Legal and Regulatory Risks – Breach of employment and Equality and Diversity legislation in recruitment.	The Recruitment and Selection Policy should be updated to reflect current (agreed) processes.	Low	HR and Payroll Manager	This will be reviewed and updated as part of the Retention, Recruitment & Remuneration workstream under the People Strategy.	September 2023
4.3.2	Legal and Regulatory Risks – Legal challenge to decisions on recruitment and changes to terms and conditions.	The Recruitment and Selection training provided should highlight that the shortlisting and interview scoring should be provided to HR for retention in the case of challenges being received.	Low	Learning and Development Officer	Training provider to be advised to update material accordingly.	30 June 2023
4.4.1	Fraud Risks and Health and Safety Risks – Appointments based on fraudulent representation of qualifications / experience based on false certificates, references, etc.	The Recruitment and Selection training provided should highlight that the checking of qualifications is the responsibility of the recruiting managers.	Low	Learning and Development Officer	Training provider to be advised to update material accordingly.	30 June 2023

* The ratings refer to how the recommendation affects the overall risk and are defined as follows:

High: Issue of significant importance requiring urgent attention.
Medium: Issue of moderate importance requiring prompt attention.
Low: Issue of minor importance requiring attention.