



GEDLING BOROUGH COUNCIL

FINAL INTERNAL AUDIT REPORT

RECRUITMENT AND RETENTION
SEPTEMBER 2022

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate

IDEAS | PEOPLE | TRUST



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DISTRIBUTION

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EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	Evidence of non-compliance with some controls, that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	0
Medium	2
Low	1

TOTAL NUMBER OF RECOMMENDATIONS: 3

CRR REFERENCE:

CRR 4 - FAILURE TO RECRUIT AND RETAIN STAFF AND MAINTAINING INTERNAL CAPACITY.

BACKGROUND:

Recruitment refers to the practice of identifying, attracting and appraising the suitability of applicants in order to find the best candidate for a role, with the requisite skills, at the right time and in a fair way. Retention is the practice of keeping staff happily employed within the organisation by providing a positive work environment and where possible offering progression opportunities. To avoid high turnover of staff and the associated disruption and costs that this causes, it is good practice to build a productive and happy environment for employees, allowing individuals to thrive in their roles.

Gedling Borough Council (the Council) has a total of 433 employees occupying different positions. Currently, the Council advertises jobs on their website. Where job positions require criminal record checks and safeguarding, the Council use Disclosure and Barring Service (DBS) to assess applicants' suitability for positions of trust. The Council aims to comply with the DBS Code of Practice and undertakes to treat all applicants for position fairly.

The HR Team work closely with a number of other services, including Finance and Payroll, to ensure the recruitment process is effective. However, where communication between services is broken it has resulted in issues surrounding retaining pension forms, which sits with payroll and updates on budget for vacant posts, which sits with Finance.

A recruitment and retention review was carried out at the Council by the previous internal auditors in 2020, where substantial assurance was given over the practices. Since then the recruitment process has become increasingly digitised and streamlined.

The purpose of this review was to examine practices to ensure recruitment and retention processes continue to be robust.

GOOD PRACTICE:

The following areas of good practice were identified:

- The Council have completed all pre-employment checks (references, DBS clearances, right to work, medical and qualification checks) for all new starters identified in our sample
- The Council use a case management system (Pentana) to report and monitor the progress against KPI's in relation to EDI, satisfaction levels and appraisals. Where performance is not on target, they are reported to SLT in a timely manner to ensure they are well informed and appropriate action is taken
- The following policies and procedures are in place at the Council, Recruitment Process Notes, Equal Opportunity Policy, Statement of Flexible Hiring & Flexible Hiring and HR processes.

KEY FINDINGS:

- The CF1 form (transfer post) did not contain a checklist for required documents as part of the recruitment process to ensure documents are obtained in a timely manner (see Finding 1-Medium)
- The Establishment List which details all vacant posts at the Council was not up to date following the changes to budgets that Finance monitor (see Finding 2-Medium)
- The recruitment process notes did not refer to the timescales for offering exit interviews/ surveys and when these should be chased. Where employees leave the Council and decide not to participate in an exit interview or complete the survey the date of this decision is not documented (see Finding 3-Low).

CONCLUSION:

Whilst the Council has good reporting and monitoring of the KPI's in place, and policies and procedures which outline the expected pre-employment checks for new starters, we have raised 2 medium and 1 low finding in relation to a risk around pre-employment checks timeliness and management of long lasting vacancies on the Establishment List.

DETAILED FINDINGS

RISK: STAFF ARE EMPLOYED WITHOUT PROPER AUTHORISATION AND CREDENTIALS OF NEW EMPLOYEES ARE NOT CHECKED BEFORE THEY ARE OFFERED EMPLOYMENT

Ref	Significance	Finding
1	Medium	<p>There were 67 new starters that joined the Council between April 2021 to April 2022. We reviewed a sample of five of these, of which two were transfer posts (internal) and three were new starters (external). Whilst all pre-employment checks had been carried out, we identified exceptions in relation to the recording of these checks.</p> <p>A transfer post is when an employee is already employed by the Council and is transferred to another position. For these transfer posts, a CF1 form which details the checks completed and their approval dates is required prior to the new start date. In addition, a signed statement of conditions which details the terms of the employment and whether the new post requires an additional DBS is recorded; this is then obtained and noted on the CF1 form.</p> <p>A new starter (external) requires an NE1 form which details the checks completed and their approval dates prior to the start date. New starters (external) require all checks outlined in the CF1 form with the addition of a right to work check, qualifications evidence, references and a medical check as they are new to the Council.</p> <p>We sought to verify that pre-employment checks were completed and retained prior to their appointment date. We found the following:</p> <ul style="list-style-type: none"> • In both samples checked for the transfer posts (internal) they did not have a signed statement of conditions retained on file • Three of the five new starters did not have a PEN1 form (pension form) retained on file. <p>In addition, we found that one of the two transfer posts (internal), the CF1 form (starter form) was completed 4 days after the appointment. Although our testing found this did not have any consequential issues, we observed a hypothetical risk if these forms are not completed which could result in the additional DBS and medical checks not being completed in a timely manner.</p> <p>In discussions with the HR manager and review of the new starter form for transfer posts (internal) and new starters (external), we identified that the transfer starter forms do not detail a check list which enables the team to track which checks have been completed and documents where information has not been returned and approved.</p> <p>If staff are employed without the proper pre-employment checks which are authorised and retained on file, there is a risk that the new starters are employed without proper credentials and ambiguity surrounding their joining details and terms of their employment.</p>

RECOMMENDATION:

- a) The CF1 form should be updated to include a checklist of required documents, timescales of what has been received and when a reminder has been sent
- b) Pension forms should be chased in a timely manner and ensure that a copy is saved on the employees' personal file
- c) Statement of conditions should be completed and maintained on file for transfer posts
- d) The signed statement of conditions and PEN1 form should be obtained for the sample above as well as for any new starters going forward.

MANAGEMENT RESPONSE:

The recommendation to introduce an appropriate document and process checklist for CF1 transfers is supported. This work will require changes to internal process and documentation.

Responsible Officer: Head of HR, Performance and Service Planning

Implementation Date: 31/12/22

RISK: THE RECRUITMENT PROCESS IS NOT EFFICIENT LEADING TO HIGHER VACANCY LEVELS AND INCREASED USE OF AGENCY STAFF

Ref	Significance	Finding
2	Medium	<p>HR maintain an Establishment List which is updated to include all vacant posts, and should a post be filled, the individual's details are added. The Establishment List is reported to SLT. We selected a sample of 12 vacant posts to ascertain if the posts have been filled. We compared the March 2021 Establishment List with that of April 2022 and of the 12 selected and eight were still showing as vacant. The list is generated from the data contained in the HR/Payroll system.</p> <p>Discussions with the HR manager identified that there was no longer budget for five of the eight vacant posts and therefore they should not be on the Establishment List. However, unless Finance inform HR that the budget has been removed then the Establishment List is not updated.</p> <p>Three of twelve posts have been vacant for a year, these are as follows:</p> <ul style="list-style-type: none"> • Customer Services Advisor • Electoral Registration Assistant • Parks & St Care Semi-Skilled Team Worker. <p>Discussions with the HR manager identified that they are currently going through a Council wide restructure and therefore two of the three posts still vacant are due to the posts currently being on-hold whilst the Head of Service writes the restructure report. For one of the three posts we found that they are only required on a casual basis and therefore only used when there is an election to support the admin team.</p> <p>If HR are not able to maintain a central and updated Establishment List, there is a risk that data reported to the Senior Leadership Team on vacant posts is not an accurate reflection of the Council's current position in relation to how many posts have been filled and whist are no longer truly 'vacant' due to budget being removed.</p>

RECOMMENDATION:

The Establishment List should be sent to Finance at least on a quarterly basis to enable them to update HR on which budgets have been removed to ensure the Establishment List remains up to date.

MANAGEMENT RESPONSE:

The recommendation for improved communication between Finance and HR to ensure that the Establishment reflects budgetary reality is supported. Being conscious of already high workloads in teams and recognising that once the first initial "trawl" of data has been conducted to remove posts no longer budgeted for, the rate of future change is likely to be slow then it is suggested that perhaps a six-monthly check might be more achievable.

Responsible Officer: Head of HR, Performance and Service Planning

Implementation Date: Commence September 2022 then six-monthly thereafter.

RISK: THE EMPLOYEE RETENTION ACTIONS AND PROCESSES FAIL TO ADDRESS THE ROOT CAUSES OF EMPLOYEES LEAVING THE COUNCIL

Ref	Significance	Finding
3	Low	<p>The Council has recruitment process notes in place. On review of this guidance, we identified that the steps for processing a leaver did not detail the timescales for HR completion and whether it should be evidenced if a leaver decides not to participate in an exit interview/complete an exit survey. What we have identified as good practice across the sector to be in place for example, is that once an employee hands their notice in and the leavers process is initiated an exit interview is offered and exit survey is sent. If HR do not receive a response to either request an automatic system reminder is sent to the leaver 10 days after the initial request, following which if there is no response HR should confirm with the leaver that they do not wish to participate in an exit interview or complete the survey. The date this information is confirmed should then be added to the leaver's file. This ensures the leaver is given ample opportunity to give their feedback on their time at the Council prior to their departure.</p> <p>We reviewed five leavers since April 2021 and found that although all leavers were offered an exit meeting and survey, no leavers participated in either.</p> <p>As added value, a benchmarking exercise was carried out to review how other local authorities process leavers in way that enables them to ascertain why employees are leaving the Council. We identified another Council which had a similar challenge about low response rates to exit interviews/the completion of exit survey. This council implemented a Retention Strategy for all employees in the Council. Interim interviews were set up by individual line managers every three months to understand staff concerns, promote initiatives and make staff feel their opinions are valued. This meant if a leaver did not want to participate in an exit interview or complete the exit survey they could draw on the information from the retention interviews.</p> <p>If employees are not further encouraged to participate in exit interviews and complete the survey, there is a risk that the Council cannot identify the root cause of employees leaving and therefore take appropriate actions to mitigate against this risk.</p>

RECOMMENDATION:

- a) The HR system should be reviewed to identify if automatic emails can be sent to leavers reminding them of the leaver survey. This will ensure that the leaver is given every opportunity to give their opinions and allow HR to identify employee trends for leaving the Council
- b) The Council may wish to consider implementing a similar Retention Strategy as identified as part of our benchmarking in the Finding.

MANAGEMENT RESPONSE:

Recommendation a) is supported

Work to identify whether this possibility will be included in next year's service plan. Should this be a possibility then a plan for delivery will be worked up from there.

Recommendation b)

Currently the Council conducts annual PDRs and a biennial employee satisfaction survey. The results from these will contribute to support and potentially retention at an individual level (PDR) and more globally at a team or corporate level where other issues with commonality are raised through the employee survey. Arguably the organisation is not resourced to effectively undertake a quarterly review of its workforce as described in the recommendation. If recommendation b) does prove to be possible then an improved rate of return would improve information about leaver reasons. Turnover rates are currently not consistently high and as such additional analysis has not been undertaken.

Responsible Officer: Head of HR, Performance and Service Planning

Implementation Date: a) Commence April 23; complete 30 June 2023
b) Commence April 23; complete 30 September 2023

OBSERVATIONS

APPRAISAL RATE

It was not within the scope of this audit to complete testing on the appraisal rate at the Council. However it was noted during testing of management information and reporting that the appraisal completion rate at the Council for 2021/22 was 20.3%. Some service areas obtained 100% completion rates, but the overall average was brought down by particular service areas where senior management positions had been vacant, coupled with operational issues (for example, the implementation of the council tax rebate scheme) which had required significant capacity. Discussions with the Head of HR identified that the appraisal rate had been reported to SLT in June 2022 to identify what actions to take to ensure the response rate improves. Regular and formal appraisals are critical for promoting retention in staff, and whilst we accept circumstances have been challenging for the Council in 2021/22, the Council may wish to consider developing a contingency plan for completing appraisals in future if similar situations were to occur.

EXIT INTERVIEWS

Discussions with the HR manager identified when staff do not want to take part in an exit meeting it is not formally noted anywhere and just appears as 'N/A' next to date of exit meeting. We noted that HR are aware of employee's reasons for leaving based on discussions however, this is not formally documented anywhere and therefore trend and patterns cannot be identified. We acknowledge that chasing leavers to confirm if they do not wish to take part in an exit interview/ survey is an additional process to an already stretched service, however this could be a way of strengthening the Council's existing leavers process.

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Name	Job Title
David Archer	Head of HR, Performance and Service Planning
Andrea Snodin	HR Manager
Rebecca Dearlove	Assistant Personnel Officer

APPENDIX I - DEFINITIONS				
LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

We will review the Council's current recruitment processes and assess the procedures from identifying the need and skills required and approving the requirement to recruit through the review/approval stages to a new starter/joiner to ensure their efficiency.

KEY RISKS:

- Staff are employed without proper authorisation and credentials of new employees are not checked before they are offered employment
- The employee retention actions and processes fail to address the root causes of employees leaving the Council
- The recruitment process is not efficient leading to higher vacancy levels and increased use of agency staff
- There are no recruitment and retention guidance or policies in place at the Council
- There is insufficient scrutiny and understanding of key data metrics such as appraisal rates, vacancy levels, and the reason for movement.

SCOPE OF REVIEW:

The following areas will be covered as part of this review:

- Review the recruitment and selection policy and employment checks policy. Assess their appropriateness and whether they are fit for purpose
- Select a sample of new starters employed by the Council between April 2021 to date and determine whether the starter was subject to employment checks. Ensure all checks were reviewed and authorised by an appropriate person within the Council
- Understand the work that is being undertaken by the Council to address the root causes of employees leaving the Council's employment
- Select a sample of leavers from April 2021 to date and determine whether exit interviews were undertaken, or a survey was sent out to them and reasons for leaving was determined
- Select a sample of vacancies from April 2021 to date to ascertain whether they have been filled
- Undertake a walkthrough of the recruitment process and create a process flowchart and identify where there are delays within the process
- Review the current KPI report and assess confidence in its reporting of the recruitment timeline.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

APPROACH:

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.

CRR REFERENCE:

CRR 4 - Failure to recruit and retain staff, and maintaining internal capacity.

FOR MORE INFORMATION:

Greg Rubins

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The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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