



Accountants &
business advisers

Nottingham City Homes

HR, Recruitment and Selection

March 2013

Final Report

Assurance Level:

Substantially meets expectations

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1 Introduction

- 1.1 Our work was performed as part of our internal audit plan for 2012/13, which was agreed with the Audit Committee.
- 1.2 The purpose of our review was to assess the adequacy and effectiveness of the internal controls over HR and recruitment and selection currently in place at Nottingham City Homes. This report has not considered succession planning as had originally been planned, as at the time of fieldwork, the Organisation had not commenced succession planning activity in line with the timescales anticipated at the time of drafting the internal audit plan.
- 1.3 In particular, our review considered the following potential risks:
- Selection of staff to fill vacancies may not follow an appropriate and transparent process;
 - The Organisation may not be taking action to reach Gold IIP status; and
 - Identification of recruitment requirements and vacancies may not follow an appropriate procedure.
- 1.4 The work was carried out primarily by holding discussions with relevant staff, reviewing any available documentation and testing controls in place to determine their effectiveness.
- 1.5 This report has been prepared as part of the internal audit of Nottingham City Homes under the terms of the contract for internal audit services. It has been prepared for Nottingham City Homes and we neither accept nor assume any responsibility or duty of care to any third party in relation to it. The conclusions and recommendations are based on the results of audit work carried out and are reported in good faith. However, our methodology relies upon explanations by managers and sample testing and management should satisfy itself of the validity of any recommendations before acting upon them.

2 Executive Summary

- 2.1 We have carried out the audit in accordance with the programme agreed with the Audit Committee. Based on the audit work carried out we have concluded that the level of control over HR, succession planning and recruitment and selection is: **substantially meets expectations.**
- 2.2 There are clearly defined processes in place for the advertisement of vacancies, including when and where to advertise vacancies and the information to be included in the advert. Procedures in place for shortlisting and interviewing candidates are clearly defined and transparent, but testing identified these were not always rigorously applied in practice. We were informed by the Head of HR that the recruitment team (which consists of two members of staff) has handled over 300 vacancies in the last year.

- 2.3 References and right-to-work documentation are obtained as part of the recruitment process. However, we identified that evidence of candidates' qualifications is not retained on HR files. We were informed that these can be requested to be brought along at interview stage, but responsibilities in this regard should be clarified, including the requirements for retention of evidence.
- 2.4 The Organisation has started to develop an action plan for the achievement of Gold IIP status, which is informed by the outputs from the Silver IIP review. The actions are not yet in a SMART format but the Action Plan is still subject to further refinement. Discussions indicated that succession planning work had not been progressed at the time of fieldwork. The HR team was aware of the risk this poses to the achievement of Gold IIP status.
- 2.5 There are arrangements in place to ensure that decisions to recruit are made in line with budget, and staffing requirements are considered as part of the planning and budget-setting process. There are a variety of mechanisms in place for assessing the skills mix of teams and identifying gaps. These are then translated into training plans by the Learning and Development team.
- 2.6 We identified the following key enhancement opportunities:
- Information specified in the Recruitment Management Guidance as being required in job advertisements should be included in all cases.
 - Shortlisting should be carried out by a minimum of two officers, including the Chair, in accordance with documented guidance, and should be signed off by the Chair to confirm their satisfaction with the scoring applied.
 - Interviews should take place with a minimum of three panel members, in accordance with documented guidance. Collective scoring matrices should be signed off by all interviewers to confirm accuracy of documented scores assigned.
 - Evidence of candidates' qualifications should be retained on the HR file. The Recruitment Management Guidance document should be updated to reflect the types of references which are taken for unemployed individuals.
 - The Recruitment Request Form should be signed off as required to evidence approval of the advertisement of the vacancy.
 - The current learning and development program has only been approved by EMT and not by the Board. As the learning and development strategy directly supports the achievement of strategic objectives, it may be relevant for the Board to approve once it has been updated for any changes required as a result of succession planning activity.
- 2.7 Finally, we wish to thank all members of staff for their availability, co-operation and assistance during the course of our review.

PKF (UK) LLP
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3 Detailed Findings

Key Risks	Key Controls and Mitigating Action	Conclusion
<p>Selection of staff to fill vacancies may not follow an appropriate and transparent process.</p>	<p><u>Advertisement of vacancies</u> There are defined procedures in place within the Organisation for the advertising of vacancies. These are set out in the Recruitment Management Guidance document and include clear guidance on the following:</p> <ul style="list-style-type: none"> •When a post must be advertised externally; •Where posts should be advertised; •Information to be included in the advert; •How long the advert should be open to receive applications. <p>There is a corporate advert template in place, and all adverts placed externally must be placed through the Organisation's media expert.</p> <p>Discussions highlighted that a number of media methods are used by the Organisation to advertise vacancies. Recently, the more traditional evening paper advertising has been overtaken by digital forms but the Organisation is flexible and will advertise in the local and national press where necessary.</p> <p>The Organisation uses an on-line tool called E-Recruit. This system informs the HR team of where applicants saw the job advertisement and therefore allows advertising methods to be monitored for effectiveness.</p> <p>According to the guidance document, job advertisements should include the closing date, interview date, contractual hours, type of recruitment and location of post.</p>	<p>There are clearly defined processes in place for the advertisement of vacancies.</p> <p>Documented guidance for the inclusion of information in advertisements is not always being adhered to in practice.</p> <p>R1 Information specified in the Recruitment Management Guidance as being required in job advertisements should be included in all cases.</p>

Key Risks	Key Controls and Mitigating Action	Conclusion
<p>Selection of staff to fill vacancies may not follow an appropriate and transparent process. (Continued)</p>	<p>We reviewed three job advertisements currently on the NCH website for adherence with the guidelines. The location of the post was not included in any of the three advertisements, the contractual hours were not included in two and the interview date was not included in one.</p> <p><i>Shortlisting Candidates</i> There are clearly defined procedures in place for the shortlisting of candidates. These are set out in the Recruitment Management Guidance document.</p> <p>Shortlisting is carried out by a minimum of two panel members (including the Chair, who is usually the manager responsible for the post being recruited).</p> <p>The procedure is carried out on the E-Recruit system so that an audit trail of decisions made is maintained. Applicants' personal details are not visible to the panel at the point of shortlisting so that these details do not form the basis of decisions made.</p> <p>Shortlisting is completed by scoring each applicant against each requirement of the person specification, as follows:</p> <p>Score 0 - applicant does not meet the criterion Score 1 - applicant partly meets the criterion Score 2 - applicant fully meets the criterion</p> <p>The Recruitment Management Guidance document provides guidance on the number of criteria which must be partly/ fully met before the candidate is generally considered for shortlisting.</p>	<p>As above.</p> <p>Procedures for shortlisting and selecting candidates are clearly defined and are transparent.</p> <p>However, procedures are not always being rigorously followed in practice.</p> <p>R2 Shortlisting should be carried out by a minimum of two officers, including the Chair, in accordance with documented guidance, and should be signed off by the Chair to confirm their satisfaction with the scoring applied.</p> <p>R3 Interviews should take place with a minimum of three panel members, in accordance with documented guidance. Collective scoring matrices should be signed off by all interviewers to confirm accuracy of documented scores assigned.</p>

Key Risks	Key Controls and Mitigating Action	Conclusion
<p>Selection of staff to fill vacancies may not follow an appropriate and transparent process. (Continued)</p>	<p>Once the shortlisting has been completed by the panel, the scoring is passed to the Recruitment team to ensure that there are no inconsistencies in the scoring carried out by the panel. The Recruitment team also reviews the rejected candidates to assess whether there are any applicants with disabilities who may be entitled to an interview under the "Positive about Disabled People" initiative to which the Organisation subscribes.</p> <p><u>Testing Results</u> We carried out testing on a sample of eight posts to ensure that a minimum of two people had carried out the shortlisting for the post in each case, that the Chair had signed the shortlisting to evidence this, and that the Recruitment team had carried out a consistency check on the scoring.</p> <p>In one case, there was no evidence that the Chair had been involved in the shortlisting, although we were informed by the Recruitment team that he had been involved. The shortlisting in this case was verified to E-Recruit as having been carried out by the other panel member, and finalised by the Recruitment team.</p> <p>In another case, only one person from the service area concerned had carried out the shortlisting. The Recruitment Manager was the other person carrying out the shortlisting. As the Recruitment team is responsible for reviewing scoring, it is not appropriate for them to also carry out the shortlisting (except in cases where the post being recruited for is in their area). However, it was noted in this case that the consistency check had been carried out by another member of the Recruitment team, who had not been involved in the shortlisting, and this was therefore considered reasonable.</p>	<p>As above.</p>

Key Risks	Key Controls and Mitigating Action	Conclusion
<p>Selection of staff to fill vacancies may not follow an appropriate and transparent process. (Continued)</p>	<p>In another case, the shortlisting had been signed off by the Recruitment Manager, rather than the panel Chair.</p> <p>In one case, we could not verify whether the Recruitment team had carried out its consistency check due to a system error. In all other cases it was verified that this check had occurred.</p> <p><u>Interviewing Candidates</u> There are defined procedures in place for interviewing candidates which are set out in the Recruitment Management Guidance document. An interview panel must consist of a minimum of three members including the Chair.</p> <p>Interview questions are pre-determined to ensure all candidates are asked the same questions and are therefore treated equally.</p> <p>Each interviewer completes scoring based on candidates' responses. Following completion of the interviews, a collective scoring matrix is completed and is signed by all panel members. This is then used to decide whether to offer the candidate the post, put them on the reserve list, or reject them.</p> <p><u>Testing Results</u> We reviewed a sample of interview documentation for seven cases to confirm whether there had been a minimum of three panel members at each interview. In some cases it was noted that there had only been two panel members for the interview. We were informed that this is usually due to work constraints but it is not in accordance with documented guidance.</p>	<p>As above.</p>

Key Risks	Key Controls and Mitigating Action	Conclusion
<p>Selection of staff to fill vacancies may not follow an appropriate and transparent process. (Continued)</p>	<p>We also checked whether the collective scoring matrix had been signed by all panel members. This is important in ensuring accuracy of scores for deciding on the successful candidate. The matrix had not been signed off by all interviewers in one case.</p> <p><u>Validating Candidates' Skills and Experience</u> The Recruitment Management Guidance document outlines clear processes for requesting references including timescales and the kinds of references which are acceptable.</p> <p>Two references are requested for each candidate successful at interview and these have to cover the previous two years' employment. In the case of a candidate who has been unemployed in the period, discussions confirmed that a letter from the benefit office is acceptable to confirm their unemployed status. However, this is not currently stated in the version of the Recruitment Managers Guidance document we obtained.</p> <p>References should be signed off by the appropriate manager to confirm that they are satisfied with them and that they are content for a start date to be arranged with the candidate.</p> <p><u>Testing Results</u> Seven of the eight cases reviewed had progressed to the offer stage and we confirmed that in each of the seven cases, two references had been received.</p> <p>The Recruitment Policy states that prior to commencing employment, all external candidates who are successful at interview will be required to provide documentary evidence of qualifications and professional bodies where this is a requirement of the role.</p>	<p>The procedures for validating applicants' skills and experience are sufficient. However, the Recruitment Management Guide should be re-written in accordance with the actual process which occurs. Additionally, details/evidence of relevant employee qualifications should be held on file.</p> <p>R4 Evidence of candidates' qualifications should be retained on the HR file.</p> <p>R5 The Recruitment Management Guidance document should be updated to reflect the types of references which may be taken for unemployed individuals.</p>

Key Risks	Key Controls and Mitigating Action	Conclusion
<p>Selection of staff to fill vacancies may not follow an appropriate and transparent process. (Continued)</p>	<p>Through discussions we discovered that currently no records of employees' qualifications such as highest qualification received or qualifications related to the role are held on the recruitment file, and that these are only verified at the interview stage. Therefore there is no check within the HR department that this has taken place.</p> <p><i>Testing Validating skills and Experience.</i> In all vacancies tested there were two references on file for all external applicants and one for internal applicants as per the policy. Confirmation of these as being acceptable had been obtained as per the Recruitment Policy. Right to work documentation was also included for all applicants looked at.</p>	<p>As per the recruitment policy all applicants had attached references and right to work documentation.</p>
<p>The Organisation may not be taking action to reach Gold IIP status.</p>	<p>The Organisation has achieved Silver IIP status during 2012 and now aims to achieve Gold status in 2013.</p> <p>The output report from the Silver IIP assessment was reviewed and it was noted that this contained a number of areas for development.</p> <p>There is a draft Action Plan in place to assist the Organisation in achieving Gold IIP status. We reviewed the "areas for development" from the Silver IIP review report alongside the draft Action Plan, to confirm whether the Organisation is taking appropriate steps to address the areas highlighted.</p> <p>From review of the draft Action Plan, it was evident that the planned actions have been informed by the output from the Silver IIP review. However, we were informed that these are not necessarily in complete alignment, as the Organisation can ask the IIP assessors to look at any areas they wish, and do not have to be assessed on the areas for improvement highlighted at the last visit.</p>	<p>The Organisation has started to develop an action plan for the achievement of Gold IIP status, which is informed by the outputs from the Silver IIP review. The actions are not yet in a SMART format but the Action Plan is still subject to further refinement.</p> <p>Succession planning is noted as a "work in progress" on the first draft action plan we reviewed.</p>

Key Risks	Key Controls and Mitigating Action	Conclusion
<p>The Organisation may not be taking action to reach Gold IIP status. (Continued)</p>	<p>The format of the Action Plan is appropriate as it lists each criterion, together with the work that is in progress to address it and the work still to be completed. However, from review, the actions are not planned in a SMART format. It was confirmed to us that the Action Plan is still to be refined in this respect.</p> <p>One of the criteria noted on the first draft action plan we reviewed was "Managers can describe how they make sure people are given the opportunity to make the most of their talents within the organisation." Succession planning is noted as a work in progress to address this; however, discussion indicated that work on the succession plan has not been progressed. The HR team is aware of the risk this represents to the achievement of Gold IIP status.</p> <p>The Organisation undertook self-assessment of its performance against IIP criteria prior to the Silver IIP assessment visit. This acted as a gap analysis to drive the actions that needed to be taken to achieve the Silver IIP status. As part of the Silver IIP review, the Organisation actually met some of the criteria it had assessed itself as not meeting. The Organisation will be using self-assessment in the lead up to the Gold assessment to drive action planning.</p> <p>In addition, there is an employee working group in place entitled "Your Forum". This is a group of employees from across the Organisation whose purpose is to engage colleagues to drive organisational change, to act as a consultation group, and to improve business communication. The group has reviewed the report from the Silver IIP review and is assisting in putting together the Action Plan for the achievement of Gold IIP status.</p>	<p>As above.</p>

Key Risks	Key Controls and Mitigating Action	Conclusion
<p>Identification of recruitment requirements and vacancies may not follow an appropriate procedure.</p>	<p><u>Budgetary considerations</u> When a decision to recruit a member of staff is made, a recruitment request form (RRF) must be completed.</p> <p>This requires recruiting managers to complete a business case in which they must outline:</p> <ul style="list-style-type: none"> • How the post is funded and whether this is in line with current approved structure; • • If the post is above budget, reasons for the request and how it will be funded; • What internal options have been explored so far to fill the vacancy; • Why the post should be recruited to at the current time, i.e. implications of not filling it. <p>The budget holder, Head of Finance and Head of HR are all required to sign off the form to approve the recruitment.</p> <p>A sample of eight vacancies was selected and we requested the RRF in each case to verify that the appropriate signatures had been obtained. For one case in the sample, the RRF could not be located so we were unable to verify that appropriate signatures had been obtained. In another case, the budget holder had disputed the appointment and so it had been approved by the relevant Assistant Director. However, the Assistant Director had not signed the form so we were unable to evidence this approval. For the other cases in the sample, appropriate sign-offs had been obtained.</p>	<p>There are arrangements in place to ensure decisions to recruit staff are made in line with budget. However, appropriate sign-offs should be evidenced on the Recruitment Request Form to show the approval of the recruitment.</p> <p>R6 The Recruitment Request Form should be signed off as required to evidence approval of the advertisement of the vacancy.</p>

Key Risks	Key Controls and Mitigating Action	Conclusion
<p>Identification of recruitment requirements and vacancies may not follow an appropriate procedure. (Continued)</p>	<p>The Learning and Development team uses the outputs of this process to put together the training "waiting list". This was viewed and consists of a list of all employees together with the training they are awaiting.</p> <p>Another mechanism for ascertaining training and development needs is the use of team training plans. These have started to be introduced within NCH and so far the Customer Contact Centre, Independent Living Service and Tenancy and Estate Management teams have developed comprehensive team training plans. These team training plans go further than what is identified in the performance appraisal process and are linked in to the behavioural competency framework in use at the Organisation, which includes competencies such as customer care. The Learning and Development framework has always been informed by team plans, but the Head of Learning and Development is promoting the greater use of these improved team training plans across other departments within the Organisation.</p> <p>Discussions held confirmed that the Head of Learning and Development meets with each team prior to production of the team plan in order to discuss what the learning and development needs may be.</p>	<p>As above</p>

Key Risks	Key Controls and Mitigating Action	Conclusion
<p>Identification of recruitment requirements and vacancies may not follow an appropriate procedure. (Continued)</p>	<p><u>Learning and Development Programme</u></p> <p><u>Training</u></p> <p>There is a comprehensive learning and development program in place for all staff and management. This contains mandatory training including the Data Protection Act, fire awareness and policies and procedures. This is delivered through an on-line learning facility and training updates are provided as and when required. In addition to this, further education is offered as per the Government's Learning and Development Strategy. Vocational accredited training and qualifications are also supported by encouraging employees to become associates, members, graduates and fellows of professional bodies linked to their role.</p> <p>The learning and development program is comprehensive. It has been approved by EMT but has not been approved by the Board.</p>	<p>There is a comprehensive learning and development program in place for all staff and management. However, this strategy has only been formally approved by EMT and not by the Board. As the strategy directly supports the delivery of strategic objectives for the Organisation, then it may be relevant for the Board to approve this strategy.</p> <p>There is the opportunity for employees to complete further education if required.</p> <p>R7</p> <p>The current learning and development program has only been approved by EMT and not by the Board. As the learning and development strategy directly supports the achievement of strategic objectives, it may be relevant for the Board to approve once it has been updated for any changes required as a result of succession planning activity.</p>

4 Action Plan

Ref.	Findings	Recommendations	Priority	Management Response	Responsibility / Due Date
R1	Documented guidance for the inclusion of information in advertisements is not always being adhered to in practice.	Information specified in the Recruitment Management Guidance as being required in job advertisements should be included in all cases.	Low	The policy/guidance will be reviewed to reflect where appropriate in these circumstances.	Claire Stevens – Recruitment and E&D Manager (End of March 2013)
R2	Procedures for shortlisting and selecting candidates are clearly defined and are transparent. However, they are not always being rigorously followed in practice.	Shortlisting should be carried out by a minimum of two officers, including the Chair, in accordance with documented guidance, and should be signed off by the Chair to confirm their satisfaction with the scoring applied.	Medium	COMPLETE Errors noted are deemed to be the exception and short-listing shall take place by two officers and be signed by the chair.	Claire Stevens – Recruitment and E&D Manager (February 2013)
R3	We reviewed a sample of interview documentation for seven cases to confirm whether there had been a minimum of three panel members at each interview. In some cases it was noted that there had only been two panel members for the interview	Interviews should take place with a minimum of three panel members, in accordance with documented guidance. Collective scoring matrices should be signed off by all interviewers to confirm accuracy of documented scores assigned.	Medium	COMPLETE Errors noted are deemed to be the exception and interviews shall take place with a minimum of three panel members.	Claire Stevens – Recruitment and E&D Manager (February 2013)

Ref.	Findings	Recommendations	Priority	Management Response	Due Date/ Responsibility
R4	The HR team does not currently hold copies of relevant qualification evidence on the employees' personnel file.	Applicants' qualifications are only checked by the line manager. HR should also hold copies of relevant qualification evidence on the employees' personnel file.	Low	HR will review the process and associated documentation.	Claire Stevens – Recruitment and E&D Manager (End of March 2013)
R5	In the case of a candidate who has been unemployed in the previous two-year period, discussions confirmed that a letter from the benefit office is acceptable as a reference, to confirm their unemployed status. However, this is not currently stated in the version of the Recruitment Managers' Guidance document we obtained.	The Recruitment Management Guide should be updated to reflect the types of references which are taken for unemployed individuals.	Low	HR will review the process.	Claire Stevens – Recruitment and E&D Manager (End of March 2013)
R6	There are arrangements in place to ensure decisions to recruit staff are made in line with budget. However, appropriate sign-offs should be evidenced on the Recruitment Request Form to show the approval of the recruitment.	The Recruitment Request Form should be signed off as required to evidence approval of the advertisement of the vacancy.	Medium	COMPLETE Errors noted are deemed to be the exception and forms shall not be processed by HR unless required approvals are in place.	Claire Stevens – Recruitment and E&D Manager (February 2013)

Ref.	Findings	Recommendations	Priority	Management Response	Due Date/ Responsibility
R7	There is a comprehensive learning and development program in place for all staff and management. However, this strategy has only been formally approved by EMT and not by the Board.	The current learning and development program has only been approved by EMT and not by the Board. As the learning and development strategy directly supports the achievement of strategic objectives, it may be relevant for the Board to approve once it has been updated for any changes required as a result of succession planning activity.	Low	There is a review currently ongoing which is looking at the Company's learning, development, talent and succession planning strategy. These will go to EMT and then Board.	Carol Aaron – Head of Learning and Development (June 2013)

5 Definitions

Assurance Level	Definition
Fully meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the area under review and meet or exceed relevant external requirements. There is only a small risk of failure or non-compliance.
Substantially meets expectations	Our audit work provides assurance that the arrangements should deliver the key objectives and risk management aims of the organisation in the area under review and meet most relevant external requirements. There is some risk of failure or non-compliance.
Partly meets expectations	Our audit work provides assurance that the arrangements will deliver only some of the key objectives and risk management aims of the organisation in the area under review or may not meet relevant external requirements. There is a significant risk of failure or non-compliance.
Does not meet expectations	Our audit work provides little assurance. The arrangements will not deliver the key objectives and risk management aims of the organisation in the area under review or will not meet relevant external requirements. There is an almost certain risk of failure or non-compliance.

Recommendation priority	Definition
High priority recommendations	Those that failure to address would result in a significant and unacceptable risk to the organisation arising or continuing.
Medium priority recommendations	Those that failure to address would result in a moderate risk to the organisation arising or continuing or relate to significant best practice improvements.
Low priority recommendations	Those that failure to address would result in a minor risk to the organisation arising or continuing or relate to moderate best practice improvements.