Audit Committee, 20 March 2014

Internal Audit Report – HR Recruitment

Executive summary and recommendations

Introduction

Mazars have undertaken a review of the HCPC's controls and processes for staff recruitment, retention and succession planning.

Decision

The Committee is asked to discuss the report

Resource implications

None

Financial implications

This audit was undertaken as part of the internal audit plan for 2013-14. Mazars' annual fee is £27,000.

Appendices

Internal Audit Report – HR Recruitment

Date of paper

10 March 2014

Internal Audit Report

HR – Recruitment, Retention & Succession Planning (05.13/14)

March 2014

FINAL REPORT

MAZARS

CONTENTS

AUDIT CONTROL SCHEDULE:

Client contacts	Teresa Haskins: Director of HR	**Internal Audit Team**	Peter Cudlip: Partner
			Graeme Clarke: Director
			James Sherrett: Manager
			Matt Brookland: Auditor
Finish on Site \ Exit Meeting:	10 December 2013	**Management responses received:**	7 March 2014
Draft report issued:	13 January 2013	**Final report issued:**	10 March 2014

In the event of any questions arising from this report please contact James Sherrett, Manager, Mazars LLP james.sherrett@mazars.co.uk or Graeme Clarke, Director, Mazars LLP graeme.clarke@mazars.co.uk

M **MAZARS**

1. INTRODUCTION

1.1 As part of the Internal Audit Plan for 2013/14, we have undertaken a review of the Health and Care Professions Council's (HCPC) controls and processes for staff recruitment, retention and succession planning. The audit was included in the Plan owing to a number of risks identified in HCPC's Risk Register relating to loss of key staff members and recruitment of new staff.

1.2 We are grateful to the Director of HR and other members of staff for their assistance during the course of the audit.

1.3 This report is for the use of the Audit Committee and senior management of HCPC. The report summarises the results of the internal audit work and, therefore, does not include all matters that came to our attention during the audit. Such matters have been discussed with the relevant staff.

2. BACKGROUND

2.1 Risks associated with the recruitment, retention and succession planning of staff represents an important area for any organisation. When recruiting staff, all organisations must demonstrate a thorough and transparent process to ensure that there is a clear and consistent process in place for selection and that all potential candidates are treated in an equal and fair manner. Retention issues can arise where organisations fail to take account of the views of staff in respect of all aspects of the working environment and experience, including pay, terms and conditions, development opportunities, etc. Succession planning also represents a key tool in managing the risk of failure to retain staff.

2.2 HCPC has a workflow document which is used for the recruitment process at the present time. However a 'HR and Partners process and systems review project is currently underway and includes reviewing all related processes and procedures. It is likely that these will be updated and streamlined where possible as part of the project.

2.4 The Chief Executive Officer (CEO) and Registrar has overall responsibility for recruitment within HCPC; however, operational and day-to-day responsibility for the process lies with the Director of HR, the HR department and respective Directors and Managers across the organisation.

2.5 The total HR budget for 2013/14 is approximately £510k. Headline areas consist of £56k for organisation wide training, £35k allocated to legal expenses for employment related matters and £112k for organisational recruitment.

2.5 In the financial year 2012/13, there were 77 appointments made, of which 29 (37.6%) posts went to internal candidates. During the same period, 26 employees left HCPC (not including temporary agency staff) with 24 leaving voluntarily. As at mid-July 2013, HCPC had a total headcount of 201 employees.

2.7 Key Performance Indicators (KPIs) are used to monitor HCPC's position against target. These include staff turnover and reasons for staff leaving. The rate of employee turnover increased to 14% over the course of 2012/13, compared with 9% the previous year. HCPC employee turnover is now running slightly above the national average of 11.9% in accordance with the CIPD Managing Labour Turnover Survey 2013. Despite the increased turnover rates, the results of leavers' exit interviews indicate that the attitudes of people leaving the HCPC remain largely positive towards the organisation.

M A Z A R S

3. SCOPE AND OBJECTIVES OF THE AUDIT

3.1 Our audit considered the following risks relating to the area under review:

- Loss of key HCPC employees *(Risk Ref 11.1, HCPC Risk Register, September 2013)*;

- Inability to recruit suitable employees *(Risk Ref 11.3, HCPC Risk Register, September 2013)*; and

- Insufficient consideration given to the staffing establishment and budgetary considerations when considering recruitment resulting in uneconomical use of resources.

3.2 In reviewing the above risks, our audit considered the following areas:

- Staffing Establishment/Budget;

- HR Strategy, Policy and Procedures;

- Authorisation for new posts;

- Job descriptions/person specifications;

- Advertising of vacancies including any use of recruitment agencies;

- Selection/short-listing processes and use of interview panels;

- References and CRB/DBS checks where appropriate;

- Offer letters;

- Leavers process including exit meetings, leavers checklists, etc.;

- Succession Plans;

- Management information and reporting on recruitment/staff turnover and any trend analysis;

- Any other sources of assurance over recruitment, retention and succession planning such as BSI/ISO audit reports; and

- Impact of any HR projects on recruitment, retention and succession planning activities.

3.3 The objectives of our audit were to evaluate the adequacy of controls and processes for staff recruitment, retention and succession planning, and the extent to which controls have been applied, with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

3.4 We are only able to provide an overall assessment on those aspects of the controls and processes for staff recruitment, retention and succession planning that we have tested or reviewed. The responsibility for maintaining internal control rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy of the internal control arrangements implemented by management and perform testing on those controls to ensure that they are operating for the period under review. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone are not a guarantee that fraud, where existing, will be discovered.

M✶ MAZARS

4.   AUDIT FINDINGS: ONE PAGE SUMMARY

Assurance on effectiveness of internal controls	
	Substantial Assurance
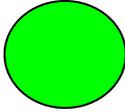
Recommendations summary	
Priority	**No. of recommendations**
1 (Fundamental)	None
2 (Significant)	None
3 (Housekeeping)	1
Total	**1**

Risk management
Operational, financial and reputational risks which could arise in the event of failing to recruit staff of a sufficient calibre and/or the organisation losing valued members of staff can be considerable. As referred to in 3.1 above, HCPC's Risk Register contains specific risks associated with recruitment of staff and the loss of key members of staff The HR department has processes in place to mitigate the risks described and ensure that staff levels are maintained and staff are recruited when required on an efficient basis. Testing undertaken as part of this audit has confirmed the mitigating actions in respect of the areas reviewed as part of this audit are in place and operating effectively.

Value for money
Value for money considerations can arise in this area through the costs involved in recruiting staff, advertising for staff and the extra costs in salary when a staff member has left a post. Succession planning is crucial to ensure that there is a smooth hand over period between staff and that disruption is kept to a minimum for the organisation. Changes to the staff establishment, such as creation of a new post, are subject to critical review by senior management prior to final authority to recruit being granted. Staff establishment changes require approval of the relevant Line manager, budget-holder, relevant Director and CEO and Registrar. The HR and Partners process and systems review project currently underway will consider where processes can be streamlined and automated to improve efficiency. HCPC has developed a formal succession plan for key posts and post-holders and notes short-term/interim cover arrangements together with longer-term plans.

MAZARS

5.   SUMMARY OF FINDINGS

Overall conclusion on effectiveness and application of internal controls

5.1   Taking account of the issues identified in paragraphs 5.2 to 5.3 below, in our opinion the control framework for staff recruitment, retention and succession planning, as currently laid down and operated at the time of our review, provides **substantial** assurance that risks material to the achievement of HCPC's objectives are adequately managed and controlled.

Areas where controls are operating effectively

5.2   The following are examples of controls which we have considered are operating effectively at the time of our review:

- Sample testing confirmed the use of a new employee checklist that is placed at the start of the staff members file;

- New starters complete an induction, have a file set up and all relevant information retained. One exception was highlighted through our work for which we have made a recommendation in Section 6 below;

- Staff leavers have the correct and relevant information kept on their file;

- Staff leavers are invited to an exit interview and the information from these is collated into a report to aid future planning and recruitment procedures and can be used to inform staff wellbeing and benefits packages;

- The HR department has a workplan in place which sets a variety of objectives for the department. Performance against objectives is measured using KPIs;

- HCPC has developed a succession plan which identifies key posts and post-holders and notes short-term/interim cover arrangements together with longer-term plans. The succession plan is formally reviewed on an annual basis although it may be subject to more frequent review if this is required.

Areas for further improvement

5.3   We identified one area where there is scope for further improvement in the control environment. The matter arising has been discussed with management, to whom we have made one recommendation. The recommendation has been, or is being, addressed as detailed in the management action plan (Section 6 below).

5.4   During our review, we noted much of the processing of recruitment and candidate application is manual and labour-intensive. This has already been recognised by HCPC and we understand that the HR and Partners process and systems review project will consider where processes can be streamlined and automated to improve efficiency. We have therefore not made a formal recommendation in respect of this matter.

MAZARS

6.   ACTION PLAN

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
6.1	*Observation:* Sample testing of 10 starters found one case (recruited in September 2013) where there was no evidence retained on file relating to qualifications. The new employee checklist had, however, been completed to indicate that the information had been seen. *Risk:* Inconsistent practice.	HCPC should ensure consistent practice in the retention of copies of evidence in support of qualifications.	3	The HR team has added additional checks and reminders to the recruitment process to reduce the risk of further documents being mislaid.	HR Director February 2014

M **MAZARS**

Appendix 1 – Definitions of Assurance Levels and Recommendations

We use the following levels of assurance and recommendations in our audit reports:

Assurance Level	Adequacy of system design	Effectiveness of operating controls
Substantial Assurance:	While a basically sound system of control exists, there is some scope for improvement.	While controls are generally operating effectively, there is some scope for improvement.
Adequate Assurance:	While a generally sound system of control exists, there are weaknesses which put some of the system objectives at risk.	While controls are generally operating effectively, there are weaknesses which put some of the system objectives at risk.
Limited Assurance:	Control is generally weak leaving the system open to significant error or abuse.	Control is generally weak leaving the system open to significant error or abuse.

Recommendation Grading	Definition
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose, HCPC to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose, HCPC to a moderate degree of unnecessary risk.
Priority 3 (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

MAZARS