

Internal Audit – Corporate Risk Review Exercise

Prepared by: Ryan Wakefield

Date: January 2024

Assurance Rating: Moderate

Corporate Risk Reference: CR39	Corporate Risk Title: Recruitment and Retention		Current Risk Rating and Score: Red, 16
	Corporate Risk Owner: Alison Littlewood, Interim Chief People Officer		Target Risk Rating and Score: Green, 4 Target Risk Due Date: 31 December 2024
Risk Description (Cause, Event, Impact)	<p>Cause: The Corporation had an employee turnover rate of 18.69% for the period 1 January to 31 December 2022. This is a high and is affected by a wide of factors including labour market shortages and high levels employment in the wider economy. Like many employers, the Corporation is competing for scarce talent, particularly in highly skilled areas such professional services.</p> <p>Event: Unable to attract and retain the best talent due to factors such as remuneration, working conditions and benefits becoming out of line with competitor organisations.</p> <p>Impact: The corporation is at risk of failing to deliver its corporate objectives. Costs of delivering services increase due to high turnover, and increased reliance on agency workers and interims, particularly in shortage areas. This means our ability to deliver objectives is at risk. This affects both outcomes for policy objectives and statutory functions, as well as the brand and reputation of the organisation.</p>		
Risk Register Maintenance	Frequently/regularly reviewed	Completeness of information	Quality of information
	Examination of the City's Risk Management System, Pentana, confirmed that Corporate Risk 39 is not subject to regular monthly review; in the last 12 months the risk was reviewed in February, June, September and October. The latest risk update (17/10/2023) states:	The Risk Register is not complete in all respects. Internal Audit identified that not all planned mitigation actions, as set out within the 'Action Description' fields have been assigned an 'Action Owner'.	There are key areas where the quality of information is insufficient; this may adversely impact on the extent to which Members can provide effective oversight of the adequacy of the City's Corporate Risk Management arrangements in this respect. The quality of information could be enhanced by: <ul style="list-style-type: none"> stating, within the Risk Update section, the key outcomes that need to be delivered to achieve the target risk rating and score;

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Our data tells us that voluntary turnover is declining which is a positive improvement for the City of London corporation, however we recognise that the actions set out within the risk which are being worked towards, are essential to both maintaining a satisfactory level of employee retention and position ourselves in the market as an employer of choice.

Furthermore, the Latest Note field has not been completed for all planned mitigation action.

- providing an overall statement, again within the Risk Update section, setting out whether the key outcomes are likely to be delivered and, therefore, whether the risk rating and score are likely to be reduced in line with target, within the planned timeframe. Where delivery is at risk, the revised delivery timescales should be stated;
- ensuring that planned mitigation actions, as stated in the 'Action Description' column, are clearly and concisely articulated, setting out how these will address the risk identified. For example, the following action descriptions lack sufficient clarity to support effective monitoring:
 - 'develop workforce reports for each department' (action 39e) – it is suggested that the risk register should set out the information that workforce reports are planned to provide, as well as their expected impact
 - 'we recognise that having a positive employment brand helps to attracts potential candidates and key stakeholders' (action 39j). In this case, the intended action(s) should be stated.
- making it clear which planned mitigation actions are expected to have the most significant impact on reducing the risk score, to facilitate effective oversight;

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- in terms of the 'Latest Note Fields' the information presented could be enhanced by:
 - stating only the specific tasks that have been undertaken in respect of each planned mitigation action since the last update of the Corporate Risk Register;
 - Make clear what further action is required by / planned for delivery by the individual due date.
 - stating the extent to which planned mitigation actions are likely to be implemented by the assigned due dates and where not, their expected implementation dates;
 - avoiding the unnecessary duplication of information reported. Three examples were identified (actions 39a, 39d and 39e) where the information recorded in respect of planned mitigation actions within the Action Description fields, were duplicated within the corresponding Latest Note fields.
 - ensuring that 'latest notes' are recorded in respect of all planned mitigating actions.
- ensuring that planned mitigation action due dates have not passed or do not exceed the overall Target Risk Due Date.

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Planned Mitigating Actions and Due Dates	Action 1 (CR39a): Develop options for new models of service delivery in services facing significant recruitment and retention issues and will improve service delivery. Options to include, commissioning, joint arrangements and shared services with partners and outsourcing. Latest note date: 8 September 2023.	Due Date 30 April 2025	On Target? Yes In November 2023, the Court of Common Council approved for the City to work with external consultants, Evolving Solutions, to look at service delivery options across key types of engagements e.g. temporary and agency worker arrangements and permanent recruitment. Work is underway to include the approach to casual workers in this review. Following this review, a strategy view on contingent labour and best options for the new service model will be reported to the Corporate Services Committee for approval in April 2024. To facilitate this the Court of Common Council also approved an extension of the current Managed Service Temporary Agency Resource contract with Hays for 6 months to 30 June 2025. This action also relates to a programme of work set out against CR39e on workforce planning. In the view of City's People & HR unit, there is sufficient time to develop new models of service delivery prior to the Due Date.

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	<p>Action 2 (CR39b):</p> <p>Full review of pay, terms and conditions to update working patterns and reward to improve recruitment and retention. Phase 1 completed by April 2023 with options for change. Phase 2 implementation of agreed options for change by Autumn 2024.</p> <p>Latest note date: 17 October 2023.</p>	<p>Due Date</p> <p>31 July 2024</p>	<p>On Target? No.</p> <p>It is understood that in line with the People Strategy the scope of work been developed and extended further and is included as part of Total Reward Project (in place to review and update the pay and reward offer for all employees with the organisation). The People & HR unit have communicated its intentions around this piece of work to the organisation and the project which is now entitled 'Ambition 25'. Feedback on priorities, including on Reward has been received through engagement on the Corporate plan and People Strategy. All actions are expected to be implemented by April 2025.</p> <p>The target date should be updated to reflect this.</p>
	<p>Action 3 (CR39c):</p> <p>Support recruitment in hard to fill roles and provide additional capacity when in house capacity is stretched.</p> <p>Options will be developed in early 2023 as part of developing new options to commission a managed service supplier to supply both temporary and permanent workers.</p> <p>Latest note date: 26 September 2023.</p>	<p>Due Date</p> <p>30 April 2024</p>	<p>On Target? No.</p> <p>Internal Audit was advised that the due date has been recorded in error and should be 30 April 2025; this action is closely linked to Action 39a.</p>

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	<p>Action 4 (CR39d):</p> <p>Identify “quick wins” in relation to current recruitment / applicant tracking system to improve user experience. Develop and put in place clear requirements for new ERP system.</p> <p>To improve candidate and hiring manager experience and enable a more proactive service model.</p> <p>Phase 1 June 2023 and phase 2 April 2025.</p> <p>Latest note date: 8 September 2023.</p>	<p>Due Date</p> <p>30 April 2024</p>	<p>On Target? Unclear.</p> <p>It is unclear what actions are expected to be completed by April 2024, as the action description refers to two phases of activity: June 2023 and April 2025.</p> <p>Internal Audit was advised that the following activities are relevant to this mitigation and that City’s People and HR unit is of the view that delivery is on target.</p> <p>People & HR have recruited to the position of Head of Workforce & Resourcing who has been working with the wider HR team to refine and improve existing recruitment processes to streamline and improve the overall service provision. Key Performance Indicators (KPIs) on time to hire have been introduced to monitor effectiveness of the City’s recruitment and onboarding processes. Through the Midland HR Phase I project the People & HR unit have worked to minimise pain points as far as possible within the scope of the approved project and existing system limitations. Clear requirements for a new Enterprise Resource Planning system have been developed and communicated with a suitable provider identified and engaged.</p> <p>A new Corporate induction has also been launched to support the effective induction of new hires into the City of London Corporation.</p>
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	<p>Action 5 (CR39e):</p> <p>Develop workforce reports for each department. HR Business Partners to support the planning process using data. This action is reliant upon accurate data and reporting from the new ERP system.</p> <p>Latest note date: 8 September 2023.</p>	<p>Due Date</p> <p>2 January 2024</p>	<p>On Target? No.</p> <p>The due date is now in the past. Internal Audit was advised that the action relates to the implementation of the City's Enterprise Resource Planning System which is due for implementation in April 2025. It is understood that, in the interim, the People & HR unit have planned additional activity in 2024/25 on manual workforce planning to support the organisation in introducing a workforce planning approach to resourcing.</p> <p>Further, it is understood that:</p> <ul style="list-style-type: none"> • a new Workforce and HR dashboard has been developed to support HR Business Partners with workforce planning and strategic workforce discussions with their business areas. This is anticipated to be launched in April 2024; • an establishment data cleanse and establishment control process was introduced in September 2023 which will support department level reporting with increased accuracy.
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	<p>Action 6 (CR39f):</p> <p>As part of People Strategy, review organisational approach to talent management and succession planning. This will include review of ERP module that can support a consistent approach.</p> <p>Career pathways will be part of the Reward Refresh project.</p> <p>Latest note date: 26 September 2023.</p>	<p>Due Date</p> <p>2 January 2024</p>	<p>On Target? No.</p> <p>The due date is now in the past. It is understood that the majority of related actions are expected to be launched by December 2024.</p> <p>Succession planning has been identified as an activity in 2025/26 within the City's People Strategy (this will follow the launch of the new Enterprise Resource Planning System). It is also understood that other talent management activity referenced as part the People strategy and the HR Business plan for 2024/25 for which work is underway include:</p> <ul style="list-style-type: none"> • Learning and Development – a comprehensive review of the offer in pace – including review of mandatory eLearning, Induction & Core offer Review by December 2024; • Management and Leadership Development (Launch of Leadership and Management Training and Forums) - this review is expected to launch by December 2024; • Performance Management – review of the appraisal process for 2024/25 and introduction of a new approach for the Senior Leadership Team and Executive Leadership Board by April 2024;
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		<ul style="list-style-type: none"> Continuing the growth of the Apprenticeship Scheme by February 2025. This includes embedding of the Graduate Scheme; Launch of the next employee engagement survey in Spring 2024; Launch of renewed values and behaviours framework for the City by September 2024.
	<p>Action 7 (CR39h – abridged description):</p> <p>We have set a KPI on voluntary turnover for the organisation which has been set out within the HR Business Plan for 2023/24. The target set is to remain below 15%. We are now monitoring this KPI on a monthly basis and reporting performance against this target to the organisation through the COO Monthly Reporting Pack which is published each month.</p> <p>Latest note date: 17 October 2023.</p>	<p>Due Date</p> <p>31 March 2024</p>
		<p>On Target? Yes</p> <p>The City currently monitors a KPI on voluntary turnover on a monthly basis, against a target of 15%. Voluntary turnover rates were 10.98%, 10.64% 10.44% for each of the three months to December 2024.</p> <p>It is understood that voluntary turnover has consistently remained below target over the last twelve months. In the last three months the figure has been between 10 – 11% which indicates that the risk on retention is stabilising at a Corporate level. The development of a new Workforce and HR dashboard will assist Senior Officers and HR in monitoring key turnover risks and trends within specific departments.</p>

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	<p>Action 8 (CR39i – abridged description):</p> <p>As part of our development of improved workforce data, the Corporate HR team have worked to define a KPI around time to hire to help us monitor the effectiveness of the candidate onboarding journey and speed in which we can onboard candidates. The current target of 45 days is deemed an industry standard that we should be striving towards and measures the amount of working days from advert close to start date.</p> <p>Latest note date: 17 October 2023.</p>	<p>Due Date</p> <p>31 March 2024</p>	<p>On Target? No</p> <p>Whilst a KPI on time to hire is monitored on a monthly basis, against a target of less than 45 days, the average up to October 2023 was between 49 – 52 days.</p> <p>Internal Audit was advised that the KPI calculations did not correctly account for notice periods which are outside of the City’s control and, therefore, distorted the performance data. This KPI will be revised as part of the implementation of the City’s new People Strategy in April 2024. The KPI have been refined into three specific measures through the employee onboarding journey to make them more meaningful and specific.</p>
	<p>Action 9 (CR39j):</p> <p>We recognise that having a positive employment brand helps to attracts potential candidates and key stakeholders. This also relates closely to defining our employee offer and work set out as part of our People Strategy on resetting our Vision and Values. This will help us to better define what it means to be an employee.</p> <p>Latest note date: N/A – the latest note field has not been completed.</p>	<p>Due Date</p> <p>31 December 2024</p>	<p>On Target? No</p> <p>There are plans to re-launch the values and behaviours at the City by September 2024. Following this, time is required to embed these values and behaviours; this is expected to be completed by March 2025. The target date should be updated to reflect this.</p>

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IA Assessment of the Extent to Which Planned Mitigating Actions Will Be Effective in Reducing the Risk Score in line with Target by the Due Date

Having examined the information contained within the Corporate Risk Register and following discussions with management, it is not possible to provide assurance as to the extent to which planned mitigating actions are likely to reduce the current risk rating and score to the intended target level by the stated due date of 31 December 2024. As per the commentary made in respect of the individual planned mitigating actions, as above, it is expected that the required reduction in the risk rating and score to target level will take until April 2025 at the earliest.

In order to ensure that Members and Senior Leadership can provide effective oversight in respect of the management of this corporate risk, updates to the corporate risk register should include an overall statement setting out whether the risk rating and score are likely to be reduced in line with target, within the planned timeframe. Where delivery is at risk, the revised delivery timescales should be stated. Other opportunities to improve the content of the register and facilitate effective risk management are set out below.

Issues Identified (By Exception):

- Review and update of the register is not frequent and timely.
- Overall updates to the register do not make clear whether progress in mitigating the risk is in line with the latest target date.
- Some of the mitigation actions are not clearly (and concisely) articulated, and do not set out their intended impact.
- There is scope to improve the effectiveness of the risk register by making it clear which planned mitigation actions are expected to have the most significant impact on reducing the risk score.
- Two of the mitigation actions do not have owners and one of these does not have an update note to communicate progress.
- Some of the due dates for mitigating actions have passed and one, not yet reached, is incorrect (should refer to 2025 rather than 2024).

IA Assessment of Adequacy of Monitoring Arrangements in Place to Identify Changes in the

There are adequate monitoring arrangements in place to identify changes in the internal and external environment that may impact on the risk score. This conclusion has been made that there are a wide range of monitoring mechanisms in place as follows:

Internal Monitoring Mechanisms:

Key changes in the Internal Environment are gauged by:

- undertaking Staff Surveys (the next Staff Survey is due for completion in April 2024);

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**Internal /External
Environment that
may Impact on the
Risk Score**

- undertaking Staff Exit Interviews to determine the key reasons why staff have opted to leave the City's employment. In the main, staff generally leave the City's employment for better pay or more flexibility to work from home.

External Monitoring Mechanisms

Key changes in the External Environment are gauged with reference to:

- information on the government's website (Direct.gov.);
- the Arbitration, Conciliation and Arbitration Service (ACAS);
- Xpert HR website which provides a key source of information in respect of employment law compliance and HR good practice;
- Linked in recruitment website;
- London Councils Recruitment and Workforce Planning Network;
- Recruitment and Retention Data from London Councils and Croner, provide of HR, Employment Law, Health & Safety Services.