

# Final Internal Audit Report

## My Resources – HR Modules

### January 2024

Distribution: Interim Assistant Chief Executive  
Chief People Officer  
Head of Recruitment  
Corporate Director Resources and S151 Officer  
Director of Finance (Deputy S151 Officer)

Assurance Level	Issues Identified	
Limited Assurance	Priority 1	1
	Priority 2	3
	Priority 3	0

#### Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

**Contents**  
**Page****Executive Summary**

1. Introduction	3
2. Key Issues	3

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**Detailed Report**

3. Actions and Key Findings/Rationale	5
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**Appendices**

1. Terms of Reference
2. Definitions for Audit Opinions and Identified Issues
3. Statement of Responsibility

## **1. Introduction**

- 1.1. Effective management of human resources (HR) plays a vital role in ensuring that an organisation performs its functions on a day-to-day basis. According to London Borough of Croydon (the 'Council's) website, it employed approximately 10,000 staff in June 2022, of which 3,486 are not teachers or employed by schools.
- 1.2. The Council has a Workforce Strategy 2019-22 in place with a focus on the following key priority areas:
  - Attract, recruit, develop and retain talent
  - Improve engagement and well-being
  - Improve workforce equality, diversity and inclusion
  - Develop and grow outstanding leaders and managers
  - Develop a high performance, innovative, creative and achievement culture
- 1.3. We were informed by the Chief People Officer that a high-level HR and Workforce Improvement Strategy was presented to the Corporate Management Team (CMT) on 25 January 2022. It was further advised that once these recommendations are agreed by the CMT, they will form part of a comprehensive HR Strategy for functional improvement and the wider 2022–2026 Workforce Strategy. Additionally, a lean six-sigma review of the Council's HR function is planned to be conducted in 2022 and will complement the improvement plan.
- 1.4. Within the Council the HR team plays a key role in supporting the organisation in managing its workforce. Underpinning its HR policies and procedures, the Oracle system is used for HR Management and utilises three HR modules: Core HR, Recruitment and Payroll. For the purpose of this audit, we looked at Core HR and Recruitment processes and respective modules only.
- 1.5. Our review and testing were performed remotely. All relevant documents required to complete this review were not made available to us and so we were not able to fully complete the agreed scope for this work. This included staff leave data for 2021/22 for sample selection and testing related to leavers (issue 2), evidence to support stages of recruitment for a sample of 20 new starters (issue 3) and user access removal forms for a sample of 24 leavers (issue 4).
- 1.6. The audit was undertaken as part of the agreed Internal Audit Plan for 2021/22. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

## **2. Key Issues**

- 2.1. The key issues identified are as below:

**Priority 1 Issues**

Internal audit selected a sample of 20 new joiners between April 2021 to March 2022 to conduct effectiveness testing. However, not all of the required evidence was made available for testing. **(Issue 3)**

**Priority 2 Issues**

Examination of ten randomly selected policy and procedure notes (within the Council's HR Handbook) identified that in six cases that these were last reviewed between one and four years ago. **(Issue 1)**

Internal audit requested employee leave data for 2021/22 for sample selection and testing. However, we were informed by the HR Systems & Project Manager that leave data could not be shared due to difficulty extracting it. **(Issue 2)**

Internal audit tested a sample of 24 leavers to confirm compliance with the stated procedures and several areas of non-compliance were identified, such as

1. Three instances where resignations were processed between one month and three months after the date of resignation;
2. One instance where date of resignation was missing;
3. In all 24 cases, there was no evidence to confirm that IT access rights were removed for leavers on a timely basis; and
4. Six cases where the employees' names were removed from the payroll system between one month to six months after the end of employment.

**(Issue 4)**

**3. Actions and Key Findings/Rationale**

**Control Area 1: Regulatory, Organisational and Management Requirements**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1				
2	Monthly HR policy review meetings have been put in place to ensure that older procedures are reviewed and brought up to date. Additionally, we have a HR consultant reviewing the whole HR policy framework to ensure it is brought up to date.	<p>Regularly reviewing and updating policies and procedures will help to ensure that the guidance available to staff is relevant and accurate.</p> <p>Examination of ten randomly selected policy and procedure notes (within the Council's HR Handbook) identified that in six cases, these were last reviewed between one and four years ago, as follows:</p> <ol style="list-style-type: none"> <li>1. Annual Leave Policy, Calculation and Process – last updated in March 2021</li> <li>2. Equality in Employment Policy – last updated in August 2019</li> <li>3. Flexible Working Policy – last updated in August 2018</li> <li>4. Management Sickness Absence – Procedure Notes – last updated in April 2019</li> <li>5. Recruitment and Selection Policy – last updated in July 2020</li> <li>6. Recruitment and Selection Procedure – last updated in July 2020</li> </ol>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>HR Consultant</td> <td>31/12/2023</td> </tr> </tbody> </table>	Responsible Officer	Deadline	HR Consultant	31/12/2023	<p>Failure to regularly (ideally annually) review and update policy and procedure notes may result in staff following out-dated or incorrect guidance for day to day decision-making purposes.</p>
Responsible Officer	Deadline					
HR Consultant	31/12/2023					

**Control Area 4: Leaves**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 2				
2	This systems issue is being addressed as part of the Oracle value assessment project to ensure reports can be extracted as needed and reporting improved to maximise the efficiency of Oracle, rather than relying upon manual systems. The aim is to produce management information dashboards for managers to manage annual leave, sickness, other leave etc.	<p>Various types of leave are available to Council employees (such as annual and sick leave) which can be availed by following the process defined in the HR Handbook.</p> <p>Internal audit requested employee leave data for 2021/22 for sample selection and testing. However, we were informed by the HR Systems &amp; Project Manager that leave data could not be shared due to difficulty extracting it from the system called 'My Resources'.</p> <p>Where leave data cannot be extracted and reviewed, it can be difficult to identify potential issues and recommend solutions for improvement, where applicable.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>HR Systems and Project Manager</td> <td>31/12/2023</td> </tr> </tbody> </table>	Responsible Officer	Deadline	HR Systems and Project Manager	31/12/2023	
Responsible Officer	Deadline					
HR Systems and Project Manager	31/12/2023					

**Control Area 5: Joiners and Leavers**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 3				
1	The Head of Recruitment is introducing a new starters checklist for the recruitment team to ensure all the necessary compliance checks are in place.	<p>The Council has 'Recruitment and Selection Policy July 2020' and 'Recruitment and Selection Procedure July 2020' to aid the recruitment process. Included in this is the requirement to evidence 'right to work' checks in line with government requirements on the gov.uk website.</p> <p>Internal audit selected a sample of 20 new joiners between April 2021 to March 2022 to conduct effectiveness testing. However, evidence was not provided to Internal audit to confirm compliance for all cases by the HR Recruitment and Process Manager, as follows:</p> <ul style="list-style-type: none"> <li>- 9 instances where approval from Spend Control Panel (SCP) was missing;</li> <li>- 9 instances where evidence of job advert was missing;</li> <li>- 15 instances where interview scoring form was missing;</li> <li>- 10 instances where signed contract was missing;</li> <li>- 20 instances where references were missing;</li> <li>- 14 instances where DBS clearance was missing;</li> <li>- 10 instances where an authorised starter form was missing; and</li> <li>- 9 instances where evidence of right to work in the UK was missing.</li> </ul>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Head of Recruitment</td> <td>31/7/2023</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Head of Recruitment	31/7/2023	
Responsible Officer	Deadline					
Head of Recruitment	31/7/2023					
		Where evidence is not in place to support various stages of the recruitment process, it will be difficult to ensure transparency, fairness and compliance with legislation. This can potentially result in reputational and financial loss to the Council.				

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 4				
2	<p>The payroll manager will introduce a checklist to maintain management information so allowing for analysis, trends, and specific areas of focus for improvements.</p> <p>The issue of longer term systems and process improvement is also being addressed through work on the Oracle value assessment where the issue of monitoring starter/leavers and movers for all of the council’s support functions will be developed into a common system in Oracle, to ensure notifications and actions are automated as far as possible to eliminate errors and late actions.</p>	<p>The HR Handbook ‘Module 19 – Leaving’ details the process for leaving the Council.</p> <p>Internal audit tested a sample of 24 leavers from April 2021 to March 2022 to confirm compliance with the stated procedures and found:</p> <ul style="list-style-type: none"> <li>• Three cases where resignations were processed between one month and three months after the date of resignation (person numbers 1005328, 2001529, 1001685);</li> <li>• One case where date of resignation was missing (person number 1004848);</li> <li>• In all 24 cases, there was no evidence to confirm that IT access rights were removed for leavers on a timely basis; and</li> <li>• Six cases where the employees’ names were removed from the payroll system between one month to six months after the end of employment (person numbers 2001375, 2001424, 1005320, 1005328, 2001529 and 1004940).</li> </ul> <p>Where resignations are not processed on a timely basis, there is a risk that employees may leave without fulfilling due requirements. Lack of IT access removal forms make it difficult to ensure whether rights were removed before the end of employment. Where leavers are not removed from payroll on a timely basis, there is also a risk of overpayment.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Senior Payroll Control Specialist</td> <td>30/9/2023</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Senior Payroll Control Specialist	30/9/2023	
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Senior Payroll Control Specialist	30/9/2023					



## AUDIT TERMS OF REFERENCE

### My Resources – HR Modules

#### 1 INTRODUCTION

- 1.1 Effective management of human resources plays a vital role in ensuring that that an organisation performs its functions on a day to day basis. London Borough of Croydon (the ‘Council’) uses Oracle for its HR Management and utilises three HR modules: Core HR, Recruitment and Payroll. For the purpose of this audit, we will be looking at Core HR and Recruitment modules.
- 1.2 The Council has a workforce strategy 2019-22 in place with a focus on the following key priority areas:
- 1.2.1 Attract, recruit, develop and retain talent
  - 1.2.2 Improve engagement and well-being
  - 1.2.3 Improve workforce equality, diversity and inclusion
  - 1.2.4 Develop and grow outstanding leaders and managers
  - 1.2.5 Develop a high performance, innovative, creative and achievement culture
- 1.3 This audit was undertaken as part of the agreed Internal Audit Plan for 2021/22.

#### 2 OBJECTIVES AND METHOD

- 2.1 The overall audit objective was to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
- Walkthrough the processes to consider the key controls;
  - Conduct sample testing of the identified key controls, and
  - Report on these accordingly.

#### 3 SCOPE

- 3.1 This audit examined the following areas:

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Regulatory, Organisational and Management Requirements	0	1	0
Data Governance & Control	0	0	0
Efficiency & Systems Improvement	0	0	0

## LBC Final Audit Report – My Resources – HR Modules 2021-22





Leavers	0	1	0
Joiners & Leavers	1	1	0
Reporting	0	0	0
<b>Total</b>	<b>1</b>	<b>3</b>	<b>0</b>

**Appendix 2**

**Definitions for Audit Opinions and Identified Issues**

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are constantly applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk,
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to identified issues are based on the following criteria:

<b>Priority 1 (High)</b>	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
<b>Priority 2 (Medium)</b>	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
<b>Priority 3 (Low)</b>	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

## Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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