M MAZARS

CROYDON

Final Internal Audit Report

Establishment Control

May 2017

Distribution:

Executive Director of Resources (Final Only)

Director of Customer and Corporate Services

Director of HR

Head of Finance Service Centre

Head of Transformation & ICT

Operational Manager Resources

HR Data Analyst

Assurance Level	Recommendations Made	
Substantial Assurance	Priority 1	0
	Priority 2	4
	Priority 3	0

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1. Introduction

1.1   The 'establishment' of an organisation is based on its funded posts. The process of creating the establishment is formally agreed by service heads/budget holders and department-based finance teams as part of the budget setting exercise.

1.2   'Establishment control' is the process through which funded posts within individual budgets are monitored and/or reconciled with filled posts, vacant posts, and posts filled by agency or contingent workers. Robust establishment control processes help an organisation to control its salary expenditure by ensuring that any changes, additions or deletions to posts follow a documented authorisation process.

1.3   This project is being undertaken as part of the Digital and Enabling Programme to improve the establishment control process across the Council.

1.4   Although this audit has been given a Substantial Assurance, further slippage would put the project benefits and outcomes at risk and would impact on other Council projects.

1.5   This audit is part of the agreed Annual Internal Audit Plan for 2016/17. The objectives, scope and approach are included in the Audit Terms of Reference at Appendix 1.

2. Key issues

Priority 2 Issues

There has been a relatively high turnover in project managers on the Establishment Control Project, with the 4th project manager scheduled to leave at the end of February 2017. **(Rec. 1)**

Discussions established that stakeholder participation was not high and feedback not that forthcoming when required. **(Rec. 2)**

The Establishment Control project had slipped by 2½ months at the time of audit, but this slippage had not been reported to the Digital and Enabling Board. **(Rec. 3)**

The risk register had not been fully completed, with two risks being identified where details relating to the risks were omitted. **(Rec. 4)**

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

Area 2 – Project Governance

Priority	Recommendation 1	Detailed Finding/Rationale
2	A review should be conducted to establish the reason/s for the high turnover in project managers and steps taken to improve retention.	Effective project and programme management is vital to delivering the Council's strategic objectives and realising the vision of the Council. Key to this is the role of the Project Manager. Discussion established that the Project Manager at the beginning of the audit, in November 2016, was the 4th project manager for the Establishment Control project. This Project Manager was scheduled to leave at the end of February 2017. It was explained that employee turnover was to be expected as staff move to greener pastures, but that the risk was being mitigated through the use of SharePoint for project managers and staff to save their work. While the above is accepted, the turnover of project managers is higher than normal and with each new project manager, there is still a loss of knowledge and a lead time for the new project manager to pick up the role and develop relationships. With each new project manager there is a risk of project slippage while the new project manager assumes their role.

Management Response	Agreed/Disagreed	Responsible Officer	Deadline
The project management for the establishment control project is now being undertaken by permanent Croydon employees to ensure continuity.	Agreed	Head of Finance Service Centre	Implemented

Area 6 – Project Initiation

Priority	Recommendation 2	Detailed Finding/Rationale
2	Project Management should escalate project requests that have a bearing on duration and financial consequences, to the Digital and Enabling Board. Corrective action should be taken to ensure that the project is kept on track.	Good stakeholder engagement and communications can make or break a programme. During the Identification phase several stakeholders may become engaged in the programme, for example by involving some of them in developing the vision as part of the Programme Brief. During the Definition phase it is essential to ensure a comprehensive understanding of all the stakeholders, their interests and influence and to think about how the programme will engage and communicate with them going forward. Discussions with the Establishment Control Project Manager established that stakeholder participation was not high and that feedback was not that forthcoming when required. As an example, we noted an e-mail, dated the 8 June 2016, being a request for sign off of the 'Establishment Control Leavers to-be processes' sent to the Head of HR Policy Pay and Employee Relations and the then Director of Human Resources, which took over 5 months to be responded to. Where client acceptance and sign off is not achieved within a reasonable time there is a risk of the project delivery time being extended causing a rise in financial costs. There is a risk that delayed signoffs may be rushed towards the project end leading to substandard systems being developed and released.

Management Response	Agreed/Disagreed	Responsible Officer	Deadline
A new governance structure and engagement plan is now in place for this project. This will include regular project team meetings and the introduction of a project board to enable issues to be escalated appropriately.	Agreed	Head of Finance Service Centre	Implemented

Area 7 – Project Implementation/Delivery

Priority	Recommendation 3	Detailed Finding/Rationale
2	The current status of the Establishment Control project should be reported to the Digital and Enabling Board, along with an analysis of why the project has slipped and the actions being taken to prevent this re-occurring.	The Establishment Control high level plan detailed that the project would commence in October 2016 (with the requirements and design phases) and that the project would be completed in early February 2017.

Discussions with staff confirmed that, in mid-February 2017, the project was not yet complete. Staff estimated that the project was still in mid development, a phase that was scheduled to be completed by early December 2016.

Evidence that the project slippage had been appropriately reported was requested, but examination of the Digital and Enabling Board papers from October 2016 to January 2017 by the Programme Director was unable to locate any evidence of this.

Where program slippage is not reported, there is a risk that management are unable take appropriate action/s in a timely manner to remedy this and project continues to slip. There is also a risk to the delivery of other Council projects dependant on the outcomes of this project. |

Management Response	Agreed/Disagreed	Responsible Officer	Deadline
An investigation has been undertaken into this project to establish current progress and a revised plan is now in place. Any slippage against this plan will be reported to the project board.	Agreed	Head of Finance Service Centre	Implemented

Area 8 – Obstacles to delivery

Priority	Recommendation 4	Detailed Finding/Rational
2	The risk register should be critically reviewed and, where appropriate, additional detail added.	The Croydon Council Project Management Handbook states that, 'Risk Register - This is most commonly an excel spreadsheet or SharePoint list. This document should updated regularly during the project and should include: Details of each risk; Risk rating for each risk; Control measures for each risk; Risk owner. A RAID (Risks, Assumptions, Issues, Dependencies) log maybe more suitable for complex projects. Please see the Project toolkit for more information.'
		It was established the project's risk register had not been fully completed, with items number one and four on the risk register not being fully completed, as follows:
		• Risk number one, detailed the risk of the developer being away on leave, however the details for risk owner, score, proximity, level, mitigation actions had not been documented.
		• Risk number four, relating to business response time did not fully detail the impact and progress of action.
		Where documentation is not fully documented the actual risk could be misinterpreted resulting in incorrect risk classification. Inappropriate responses to risk can have an effect on the overall project performance.

Management Response	Agreed/Disagreed	Responsible Officer	Deadline
The risk register is in the process of being reviewed, with risks that are no longer relevant being closed and current risks added. This will be maintained on a regular basis going forward as part of the project management and red risks escalated to the project board.	Agreed	Senior Transformation and Service Improvement Manager	31 May 2017

TERMS OF REFERENCE

Establishment Control

1. INTRODUCTION

1.1 The 'establishment' of an organisation is based on its funded posts. The process of creating the establishment is formally agreed by service heads/budget holders and department-based finance teams as part of the budget setting exercise.

1.2 'Establishment control' is the process through which funded posts within individual budgets are monitored and/or reconciled with filled posts, vacant posts, and posts filled by agency or contingent workers. Robust establishment control processes help an organisation to control its salary expenditure by ensuring that any changes, additions or deletions to posts follow a documented authorisation process.

1.3 A project is currently being undertaken as part of the Digital and Enabling Programme to improve the establishment control process across the Council.

1.4 As part of the agreed 2016/17 Internal Audit Plan, an internal audit in respect of Establishment Control was identified to be undertaken.

2. OBJECTIVES AND METHOD

2.1 The overall audit objective is 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 Council's the Council's arrangements relating to Establishment Control, and included the following areas:

Control Areas/Risks	Recommendations Made		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Pre-Project Strategic Assessment and Business Justification	0	0	0
Project Governance	0	1	0
Project Delivery (including addressing previously identified weaknesses)	0	0	0
Project Approach and Brief	0	0	0
Investment Decision	0	0	0
Project Initiation	0	1	0
Project Implementation/Delivery	0	1	0
Obstacles to Delivery	0	1	0
Change Controls	0	0	0
Benefits Realisation (including post-implementation governance)	0	0	0
Total	**0**	**4**	**0**

DEFINITIONS FOR AUDIT OPINIONS AND RECOMENDATIONS

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 consistently 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 which may put this achievement at risk.
🟠	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
🔴	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to recommendations are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

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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