

## Appendix A: Assurance Progress Report

### 1. Audit Plan Progress

1.1 Current, cumulative progress toward delivery of the 2021/22 audit plan, as at the end of December 2021, is summarised in the table below, with further detail provided in Section 6 below. It should be noted that some of the work undertaken by internal audit does not result in an opinion being provided, such as advisory reviews and grant claims.

Audit Plan Status	Number of Audits / Tasks
Final reports issued / Reviews Completed	22
Draft reports issued	2
Underway	10

### 2. Risk Based Systems and Schools Audit Work for Quarter Three

2.1 The tables below details the results of the work undertaken during quarter three. Summaries of any limited assurance reports (where applicable) are provided in section 4.

Audit Title – LBH Systems Audits	Assurance	Recommendations			
		H	M	Adv	Total
Business Continuity & Emergency Planning	Reasonable	0	0	0	0
Payroll (compliance key financial work)	Limited	6	2	0	8
Romford Combined Charities	Not Applicable – Grant Review				
Housing – Compliance work*	Completed (externally commissioned work)				
<b>Totals for Quarter 3</b>		<b>6</b>	<b>2</b>	<b>0</b>	<b>8</b>

\*This report is provided as an additional item on the agenda

Audit Title – LBH Schools Audits	Assurance	Recommendations			
		H	M	Adv	Total
Crowlands Primary	Reasonable	0	0	3	3
Crownfield Infants	Reasonable	0	0	5	5
<b>Totals for Quarter 3</b>		<b>0</b>	<b>0</b>	<b>8</b>	<b>8</b>

In addition, three school health checks were completed during October to December 2021.

### 3. Audit Recommendations Update and Status of High Risk Recommendations

- 3.1 All high and medium risk recommendations due as at the end of December 2021 have been confirmed as implemented.
- 3.2 There were six high risk recommendations raised during quarter three of 2021/22. These recommendations are provided along with the summary report in section 4.
- 3.3 A full list of recommendations raised during the year, and the status of implementation will be provided as part of the Annual Assurance Opinion Report to be presented at the next Audit Committee.

## 4. Limited Assurance Report Summaries & Recommendations

### 4.1 Payroll – Executive Summary

As part of the Internal Audit Plan for 2021/22 agreed by Audit Committee, a review of The Payroll System was undertaken.

#### Scope of Review

Payroll systems and processes were last reviewed as part of the 2018/2019 internal audit plan. Since then the Council has implemented the new Fusion system, in September 2019. The scope of this audit focused on the following areas:

- Follow up on the implementation of recommendations raised during the 2018/2019 audit that aimed to mitigate against risks previously identified;
- Identify any changes arising from the introduction of Fusion, including controls lost / gained; and
- Compliance against policies and procedures.

#### Summary of Findings

This review has identified weaknesses in the control environment within the payroll process, particularly in relation to the recording of payroll errors identified through the exception report process. In addition, testing identified overpayments totalling £3,500 that had not been recovered. Given the small sample size, no assurance can be given that this is not a wider issue and therefore it would be proportionate for all leavers to be reviewed to ensure any overpayments have been raised as sundry debtor accounts.

This audit has determined that fundamental risks within the process are materialising, creating significant increases in work for both the Payroll and Systems Teams. In a large proportion of cases, what is perceived to be an error or problem with the Fusion Payroll system are not technical / operating issues, but are instead caused by a lack of understanding across the organisation as to the internal system processes.

These issues have an impact on the efficiency and effectiveness of the payroll controls, pose risks to the accuracy of the payroll and create unnecessary additional work. Every effort should be taken to minimise the number of avoidable exceptions occurring each month.

Key to addressing these issues is the need to ensure that Managers have access to key information essential to ensuring the accuracy of data within the system, as well as a mechanism for detecting anomalies. Managers need access to purposeful payroll related information in order to take greater responsibility and accountability for the accuracy of their payroll.

Enabling managers to have access to exception based information, coupled with additional training and education as to the internal processes within the Fusion Payroll system, should reduce the level of non-compliance, enhance the quality of the data within the system and reduce the number of errors currently occurring.

#### 4. Limited Assurance Report Summaries & Recommendations (continued)

The issues identified during this review are not isolated to the Payroll Team and when the payroll system is considered within the wider control environment operating within the Council, then we can only provide **limited assurance** that the controls and risks are being managed appropriately. This means that there are fundamental weaknesses in the internal control environment within the areas reviewed, and further action is required to manage risks to an acceptable level.

This audit makes six high and two medium priority recommendations to mitigate the risks identified.

Expected Outcome	Management Response inc. Planned Actions
<b>Recommendation 1:</b> In order to reduce the number of exceptions being reported and strengthen the exception report process, a review should be undertaken of the current report parameters in order to remove exceptions not related to changes in pay and allow variations to be categorised by type, enabling high volume / low risk exceptions to be identified and officers to carry out a more targeted approach to checks.	Recommendation Agreed. CBST will provide the report parameters. Parameters will be reviewed with Payroll and amended accordingly. Review of the report will be added to weekly payroll/CBST call. SR will be raised. <b>Timescale:</b> April 2022
<b>Recommendation 2:</b> Action should be taken to recover the two overpayments identified during the audit. However, given the small sample from which these overpayments were identified, it would be considered proportionate to review all leavers, to ensure action has been taken to recover any overpayments identified.	Recommendation Agreed. Actions already in place to identify and review overpayments as exceptions for future leavers. Invoices have been raised for the two cases identified. <b>Timescale:</b> January 2022

## 4. Limited Assurance Report Summaries & Recommendations (continued)

<p><b>Recommendation 3:</b> Management should review the current process of logging errors identified through the exception report process.</p> <p>As part of this review, Management should look to standardise the comments being recorded by Payroll Officers, to provide a clear and concise explanation of the exception, allowing exception reasons to be monitored.</p> <p>Consideration should be given to secondary checks by Payroll Team Leads and how to ensure any follow up action is undertaken, such as the raising of sundry debtor accounts.</p> <p>Once reviewed, staff should be reminded of the importance of this process.</p>	<p>Recommendation Agreed. Work to be undertaken with Team Leads to ensure any errors/exceptions are explained clearly and concisely including training with the template being updated.</p> <p>This will be reviewed to ensure relevant follow up action is appropriate and successful. Ongoing monitoring will ensure a consistent approach in the payroll team.</p> <p>The payroll team received a de-brief of the Audit, specifically this recommendation and reminded of their responsibilities.</p> <p><b>Timescale:</b> April 2022</p>
<p><b>Recommendation 4:</b> Management should investigate the current Fusion Payroll system default of putting employees back into full pay after one year. Depending on the number of instances occurring each year, action should be taken to either stop the system taking this action or to introduce a manual process to monitor cases and take remedial action where necessary.</p>	<p>Recommendation Agreed. Review the ability to amend Fusion to prevent sick pay re-instating after 1 year. If the system cannot be amended, implement a manual process to capture affected staff so their records can be manually amended.</p> <p><b>Timescale:</b> February 2022 April 2022 – if there is a need to create a new report to allow manual monitoring within Payroll.</p>
<p><b>Recommendation 5:</b> A post implementation review of the Fusion Payroll system should be undertaken. The aim of this review should be to:</p> <ul style="list-style-type: none"> <li>• Understand the internal Fusion Payroll system processes;</li> <li>• Determine the impact of making manual adjustments to the system;</li> <li>• Identify where system functionality has required manual workarounds to be put in place;</li> <li>• Ensure manual processes work cohesively alongside the system; and</li> <li>• Build resilience within the team.</li> </ul>	<p>Recommendation Agreed. This has been discussed at oneSource OMT and initial meeting has taken place with Oracle who will be carrying out an initial review of the Payroll reviewing processes and areas of improvement</p> <p><b>Timescale:</b> February 2022</p>

#### 4. Limited Assurance Report Summaries & Recommendations (continued)

<p><b>Recommendation 6:</b> Exceptions should be added to Payroll's Key Performance Indicators (KPI) with the aim of reducing the number of exceptions occurring.</p>	<p>The KPIs have been agreed for 22/23 and are based on accuracy in payrolls. With CBST delivering a report that focusses on real exceptions to pay the error rate should decrease. Therefore this is complete.</p> <p><b>Timescale:</b> Completed</p>
<p><b>Recommendation 7:</b> In order to address non-compliance and reduce the unnecessary pressures being created within the Payroll, management should look to utilise the Manager Dashboard. Ensuring Managers have access to purposeful information will enable greater responsibility and accountability for maintaining the accuracy of the payroll, in keeping with the Council's self-service model.</p>	<p>Recommendation Agreed. Dashboards to support managers in the self-service model so they can identify issues and inaccuracies are on the "to do" list of the CBST.</p> <p><b>Timescale:</b> April 2022</p>
<p><b>Recommendation 8:</b> In order to reduce the level of reliance on Evosys for system support, the Payroll Team and Systems Team should seek to clarify the roles, responsibilities and expectations of both teams in relation to the raising and reporting of Payroll Fusion issues. Given the costs associated with raising requests with Evosys, the process should ensure that where applicable, there is an agreement by both teams that the issue needs to be escalated to Evosys.</p>	<p>Recommendation Agreed. Since implementation of Fusion and due to the lack of payroll knowledge, skills and experience in the CBST it has meant more reliance on Evosys for system support. A recent review by the CBST has identified calls, errors and issues raised by payroll and ongoing work with the teams aims to reduce the number of calls and issues with increased support from CBST. Temporarily there remains additional specialist resources in each team to try to increase the knowledge and resilience of the Payroll and CBST, the risk of losing the resources may increase calls further.</p> <p><b>Timescale:</b> March 2022</p>

## 5. Counter Fraud Audit Work

### 5.1 Proactive Counter Fraud Investigations

Proactive work undertaken during 01/10/2021 to 31/01/22 below:

Description	No. Received
<b>Advice to Directorates:</b> General advice and support to Directors, Heads of Service etc. including short ad-hoc investigations, audits and compliance.	4
<b>Advice to Other Local Authorities:</b> All Data Protection Act requests via Local Authorities, Police etc.	1
<b>Fraud Hotline:</b> To take all telephone calls and emails relating to the 'Fraud Hotline' and action / refer appropriately.	7
<b>FOI Requests:</b> To undertake all Freedom of Information (FOI) Requests.	0
<b>National Fraud Initiative:</b> The NFI is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud and is conducted every two years. To co-ordinate the 2020/21 NFI and issue reports to relevant services for review.	Matching has now been completed and the results are now being reviewed.

### 5.2 Reactive Investigation Cases

During 01/10/2021 to 31/01/22 five referrals were received; four of which, information was provided by Whistle-blowers:

- Two cases have been investigated and concluded; and
- Three referrals are currently being investigated.

### 5.3 Housing Cases

The following table illustrates the work undertaken in relation to housing fraud and right to buy (RTB) applications:

Description	2020/21	2021/22 (to date)
Number of referrals investigated	57	68
Properties recovered	2	5
Notional Saving	£36,000	£90,000
RTB referred and reviewed	178	125
RTB stopped	4	2
Notional Saving	£449,200	£225,600
<b>Total Notional Saving</b>	<b>£485,200</b>	<b>£315,600</b>

## 6. Status of Internal Audit Plan 2021 / 2022

Audit Title – LBH Systems Audits	Opinion for Completed Audits / Status as at end Q3	Recommendations			
		H	M	Adv	Total
Business Continuity & Emergency Planning	Reasonable	0	0	0	0
Payroll (compliance key financial work)*	Limited	6	2	0	8
Romford Combined Charities	Not Applicable – Grant Review				
Housing – Compliance work	Completed (externally commissioned work)				
<b>Totals for Quarter 3</b>		<b>6</b>	<b>2</b>	<b>0</b>	<b>8</b>
Housing Voids	Limited	3	4	0	7
Social Care Contract Award	Limited	1	0	0	1
Reablement Quality Review	Reasonable	0	2	1	3
Direct Debits (Phase One)	Not Applicable – Advisory Review				
Office Decant Process (Phase One)	Not Applicable – Advisory Review				
Supported Families (mid-year review)	Not Applicable – Grant Review				
Mayor's Appeal Charity Fund	Not Applicable – Grant Review				
Project Management Review	Not Applicable – Advisory Review				
<b>Totals for Quarter 2</b>		<b>4</b>	<b>6</b>	<b>1</b>	<b>11</b>
HMO Enforcement	Reasonable	0	0	0	0
Supporting Families – Phase one	Not Applicable – Grant Review				
<b>Totals for Quarter 1</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Environmental Health	Draft Report				
Youth Justice Service	Draft Report				
Accounts Payable (compliance key financial work)*	Underway				
Social Care Transitions	Underway				
Public Protection – Risk Mapping	Underway				
Post Implementation Review of Liquid Logic	Underway				
Procurement inc Contract Management	Underway				
ICT	Underway				
SEND – Transport	Q4				
Housing - Property buy-back	Q4				
Safeguarding Adults	Q4				
Parking	Q4				
Direct Payments	Q4				
Highways Services	Q4				
Voids – Follow Up	Q4				
Housing - Service Charges	For consideration in 2022 / 2023				
Housing – Responsive Repairs	For consideration in 2022 / 2023				
Continuing Healthcare	For consideration in 2022 / 2023				
Planning	For consideration in 2022 / 2023				
Joint Counter-Fraud work	Ongoing as demand arises				



Audit Title – LBH Schools Audits	Opinion for Completed Audits / Status as at end Q2	Recommendations			
		H	M	Adv	Total
Crowlands Primary	Reasonable	0	0	3	3
Crownfield Infants	Reasonable	0	0	5	5
<b>Totals for Quarter 3</b>		<b>0</b>	<b>0</b>	<b>8</b>	<b>8</b>
Squirrels Heath Infants	Reasonable	0	2	5	7
St Edwards Primary	Reasonable	0	1	6	7
<b>Totals for Quarter 2</b>		<b>0</b>	<b>3</b>	<b>11</b>	<b>14</b>
Rainham Village Primary	Reasonable	0	7	4	11
The Towers Federation	Reasonable	0	4	4	8
Harold Wood Primary	Reasonable	0	3	8	11
Crownfield Juniors	Reasonable	0	6	5	11
<b>Totals for Quarter 1</b>		<b>0</b>	<b>20</b>	<b>21</b>	<b>41</b>
Nelmes Primary	Underway				
Branfil Primary	Underway				
Hylands Primary	Underway				
Parsonage Farm Primary	Underway				
Ardleigh Green	Q4				
Brady Primary	Q4				
Engayne Primary	Q4				
Gidea Park Primary	Q4				
Scotts Primary	Q4				
St Alban's Catholic Primary	Q4				
St Patrick's Catholic Primary	Q4				
St Ursula's Catholic Primary	Q4				
The James Oglethorpe Primary	Q4				
The RJ Mitchell Primary	Q4				
<b>Academies</b>					
Emerson Park Academy	Reasonable	0	4	0	4
Shaw Academy	Reasonable	0	0	2	2
<b>Health Checks</b>					
Health Checks (13)	8 Completed	5 Underway			