



**FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT**

REVIEW OF STARTERS AND LEAVERS

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REVIEW OF STARTERS AND LEAVERS

INTRODUCTION

1. This report sets out the results of our audit of starters and leavers. The audit was carried out as part of the work specified in the 2018-19 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. We would like to thank all staff contacted during this review for their help and co-operation.
3. The Human Resources (HR) Department is responsible for processing the Council's starters and leavers. Before a new employee commences work, HR complete a series of pre-employment checks to help provide assurance over the suitability of the prospective employee to the respective role. These checks are summarised within an HR appointment checklist, which is then held on the new employee's file. Similarly, when an employee leaves the Council's employment, HR completes a leaver checklist that summarises all procedures that should take place in relation to a leaver. In conjunction with the role of HR in the leavers' process, The Council's IT contractor is responsible for terminating IT systems access on the employment termination date. The Council's IT contractor should be notified of employment termination via an eForm that is submitted through the intranet by the leaver's line manager. Additional staff are involved in the expected processes for controlling security pass card and purchase card access i.e. the Facilities and Support Client Services Manager and the Contract and Operations Manager respectively. Therefore, it should be noted that maintaining compliance with core processes linked to starters and leavers requires engagement across a number of teams within the Council.

AUDIT SCOPE

4. The original scope of the audit was outlined in the Terms of Reference issued on 21 March 2019. The audit looked to review systems and procedures for (i) engaging new employees and (ii) employees leaving the Council, to provide assurance as to whether the controls are operating effectively. Controls relating to both corporate and departmental risks were examined, where applicable. The audit specifically covered activity within the 2018/19 Financial Year period. During the period April 2018 to March 2019, the Council processed a total of 267 starters and 242 leavers.

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5. It should be noted that this audit did not include examination of controls over agency staff, as these were assessed in a separate audit carried out in 2017/18. Audit testing on starters focussed on reviewing the controls in place over the taking up of references and satisfactory completion of health checks / Disclosure and Barring Service (DBS) checks prior to starting employment at the Council. The timely completion of corporate induction training was also reviewed. The scope did not, however, check the controls in place for recording new employees onto the HR system (ResourceLink) or the payroll system, including the calculation and recording of correct pay rates and deductions. Testing of these aspects was carried out as part of the Payroll Expenses audit which was completed recently.
6. Audit testing on leavers reviewed the controls in place for removing employees from the HR system (ResourceLink) and the payroll system, removal of IT access and return of any Council equipment, purchase cards and ID security passes.
7. The following were considered to be the key risks inherent to the starters and leavers' process:
 - Managers may not be aware of their roles, responsibilities and action to be taken when employees join or leave the Council, leading to an increased risk that such actions are not carried out, or are undertaken incorrectly.
 - References, health checks and DBS checks may not be carried out prior to starting employment, leading to an increased risk that employees are engaged who do not meet the Council's standards and values.
 - Induction training is not carried out promptly, leading to a lack of knowledge about the Council and the employee's responsibilities.
 - Assets such as IT equipment, mobile phones, purchase cards and ID security passes may not be returned when employees leave the Council, resulting in an increased risk of loss of assets, fraudulent activity and unauthorised access to Council premises.
 - Employees who leave the Council may not have their IT system access removed promptly, leading to a risk of fraudulent activity and theft of data.
 - Employees' payroll details may not be removed timely when they leave the Council, resulting in the risk of overpayments being made to individuals.

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AUDIT OPINION

8. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
Limited Assurance	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
1	4	1

SUMMARY OF FINDINGS

9. Controls noted to be in place and working well, based on the audit testing conducted, included:

- An HR appointment checklist is completed as a record of when the various processes required to on-board a new employee have taken place. Examination of those new starters in our sample who were deemed to have a relevant safeguarding role, identified all as having a DBS witness sheet retained on their file and the HR appointment checklist being fully completed.
- Our examination of the new starters in our sample identified all as having evidence of the on-line health questionnaire being completed and retained on file and all had suitable references covering the two year period prior to employment.

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- The Council's intranet 'onebromley' contains a page dedicated to the Council's standards and values which is available for all employees to view.
- The Contract and Operations Manager runs a leavers' report from HR once a month to monitor against a register of purchase card holders.

10. We would like to bring to management attention the following issues:

- Workforce eForms, which are required to be completed for staff who are leaving the Council, are not always being submitted by management. Our examination of a sample of leavers identified five instances where an eForm had not been submitted. In those cases, IT, Facilities and Support Client Services and the purchase cards team remained unaware of the staff member leaving the Council and so were unable to take action to mitigate the risks associated when somebody departs from their employment.
- A report is run, on a monthly basis, by the Council's IT contractor, to indicate successful logins of users against their individual laptops. However, instances where a laptop has not been logged onto for a considerable period of time are not being escalated until a period of six months inactivity has passed. Managers / services / individuals are not therefore being challenged in a timely manner when a laptop has not been used for a significant period of time (which could indicate that the member of staff has left). Due to existing staff levels / capacity, management were not agreeable to reducing this to a monthly timescale, however it was agreed that the existing process is not ideal and does increase the risk of not identifying and recovering assets.
- In connection with the above point we were informed by HR, whilst concluding this audit, that they had identified an instance where an employee had left the Council in September 2018 but was continuing to be paid. There was no evidence that the HR team had received the employee's resignation and the employee's manager had since left the Council and so could not be questioned about the matter. The Head of HRIS and Reward is dealing with this matter separately. The above check to identify users who have not accessed their IT user account for a given period of time could assist in identifying any further instances of this in future.
- A security pass monitoring document is maintained by the Facilities and Support Client Services Manager. However, this is only monitored on the assumption that the expected Workforce eForms have been submitted (which has been

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identified as ineffective in practice, as explained above). Consequently, there is a lack of the necessary reconciliation controls in place to ensure that security passes can be effectively controlled.

- When a new employee joins the Council, an induction checklist is sent, by HR to the employee's respective team manager. However, our testing evidenced that these checklists are not being signed, submitted and verified, and therefore there is no regular assurance to confirm that the expected induction checks have been completed. There are mandatory on-line training courses to be completed by a new employee but these are not specified on the induction checklist. The checklist is dated June 2011 and in need of review and with ownership assigned.
- The existing Leavers' Procedure Notes are outdated and not reflective of the current processes that take place. This guidance is currently being reviewed by the Head of HRIS & Reward.
- Our testing identified that the leavers' checklist was not completed and retained on file for two instances in our sample.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

11. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised, together with management's responses and timescales for implementation. Appendix B details the definition of the audit assurance and priority ratings.

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DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
1	<p><u>Leavers' process workflow and risk assessment of new IT processes</u></p> <p>Our testing identified that managers are not always sending the eForm required to the relevant departments for action to be taken when a member of their team is leaving. Therefore, although HR may be notified of a staff leaver, the IT, Facilities Management and Purchase Card teams etc. were omitted from the notification process.</p> <p>Our sample testing of 20 randomly selected cases identified five exceptions (721572, 670836, 607007, 383251, 661069) where notification was not received by IT in relation to these employees leaving.</p> <p>The Council is currently planning to cross over to a new Windows 10 and SharePoint system. Along with this SharePoint and server based system roll out,</p>	<p>Where there is no system workflow in place, there is an increased risk that core elements of the leavers' process may be omitted. This could result in a lack of control over access to information and/or financial loss and the safeguarding of assets.</p> <p>Where adequate controls are not in place for the retention of IT equipment when an individual leaves the Council, there is a risk that an increased number of equipment assets could be misplaced or stolen.</p> <p>There is also a significant risk that the Council has no way of identifying, challenging and</p>	<p>Management should combine the processes involved when an employee leaves the Council's employment, taking into consideration the roles of HR, IT, Facilities Management and the Purchase Card Team to ensure the timely, complete and secure management of leavers.</p> <p>Due to the known shortfalls in the existing retention process for IT equipment, and acknowledging that the Council has already suggested that these concerns may in part be addressed by the planned IT process redevelopment, management should also undertake a formalised internal risk assessment of this process before any movement to the new proposed way of working is implemented.</p> <p>The risk assessment should look to identify whether the overhaul will adequately ensure that there are no remaining gaps in the established controls framework. Any perceived gaps should be</p>	<p>With the new version of Sharepoint that will be rolled out in 2020, IT will look to introduce a leaver form that can notify all relevant parties of an intended leaver. A meeting with the IT contractor who will write the IT solution for this to happen is taking place in the next few weeks.</p> <p>This will allow a 'one stop shop' approach for managers.</p> <p>In the interim, there are automatic notifications from the HR/Payroll system to IT when a termination date is input. However, this only covers LBB employees and not agency workers.</p> <p>Therefore, from now on, when HR are notified of any employee, including an agency worker, leaving the Council, we will put processes in place to ensure that IT and Facilities Management are informed</p>	<p>Head of ISD and Head of Information Management</p> <p>31 March 2020</p> <p>Head of HRIS and Reward</p> <p>31 October 2019</p>

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	<p>there are plans to combine the currently separated HR notification into one eForm. This is expected to have the value of notifying all relevant teams. The new workflow will consider HR, IT, Facilities and Purchase Cards.</p> <p>Discussion with the Head of ISD established that the Council's IT contractor runs a monthly report on user login times, which can then be used to identify any user who has not logged onto the system for an extended period of time. However, any such cases where the user has not logged into the system for a considerable period of time are not escalated until six months have passed. Due to existing staff levels / capacity, management were not agreeable to reducing this to monthly, however it was agreed that the existing process is not ideal and increases the risk of not</p>	<p>escalating instances where IT assets are not returned. Users may continue to have access to the Council's information after they have left.</p>	<p>escalated onto a risk register / action plan, which is then subject to ongoing monitoring by management. This plan should be kept under review until the point that full implementation can be verified. It may be advisable to consider setting Key Performance Indicators (KPIs) and / or introduce standing reports to specific groups, to help fully embed the required changes.</p> <p style="text-align: center;">Priority 1</p>	<p>timely of the employee's name, job title, leaving date. We will also include the relevant manager's name so that the manager can be contacted to discuss any specific IT matters eg transfer of emails and any folders before the employee leaves. We will also inform Finance Directorate for the removal of the leaver from the authorised signatory list, Oracle, FBM/EBM and the procurement card register (as appropriate).</p> <p>HR will risk asses the above processes, once implemented, to ensure that there are no gaps in the notification process.</p> <p>HR write out to leavers and their managers already, reminding them about returning IT equipment, purchase cards and ID cards before their last day of service. Therefore, we will issue a reminder to Managers Briefing re Leaver Process and importance of notifying HR.</p>	

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	<p>identifying and recovering assets.</p> <p>No specific exceptions regarding non-return of assets were identified from the audit sample testing conducted during this review, but interviews with staff during the fieldwork suggested there had been known previous instances where temporary staff had left the Council with iPads etc., resulting in the need to remove access and recover these.</p> <p>The capital investment for IT equipment is decentralised to individual team managers. IT is currently in the process of centralising this so that it has increased ownership. This will likely be implemented in conjunction with the switch to Windows 10, where all office desktop computers will be replaced with laptops. These laptops will be allocated to an individual.</p>			<p>We will also remind Directors / Heads of Service of the need to reconcile EBM information regularly to confirm that all their staff members are current employees and to identify any anomalies in staff names, numbers and positions.</p>	

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2	<p><u>Removal of IT systems user access</u></p> <p>As described above, the Council’s IT contractor runs a monthly report which can be used to identify any user who has not logged onto the system for an extended period of time.</p> <p>During the audit, we were informed by HR that they had identified that an employee had left the Council in September 2018 but was continuing to be paid. There was no evidence that HR had received the employee’s resignation. The employee’s manager had since left and so could not be questioned about the matter.</p> <p>During our fieldwork, staff also highlighted that there were issues with removing system access rights after staff had left and inconsistencies over the management/removal of staff files eg.from users’ M drives.</p>	<p>There is a risk that users may continue to have access to the Council’s information after they have left, resulting in the possible theft of sensitive and/or commercial information.</p> <p>IT storage space may not be used efficiently to store documents for historic staff and useful records may be lost if they are deleted from an individual leaver’s folder rather than being transferred to a group folder for other team members to access.</p>	<p>ISD management should:</p> <p>(i) use the reports run by the Council’s IT contractor on a monthly basis to identify users who have not accessed the Council’s IT systems over a given period e.g. two months and establish from the user’s manager if the user has left the Council,</p> <p>(ii) notify HR of any employees who have had their IT user access removed following confirmation from the manager that the employee has left the Council, and</p> <p>(iii) remind all managers of the action to be taken over the management/removal of staff files (e.g. those on ‘M’ drives) when staff leave the Council.</p> <p>Priority 2</p> <p>(This recommendation should be read, and implemented, in conjunction with recommendation 1 above)</p>	<p>We will put procedures in place, using management information reports, to identify users who have not accessed the Council’s IT systems over a given period and liaise with HR to find out who the user’s manager is. We can then establish the user’s status eg left the Council, on long term sick leave etc.</p> <p>We will discuss with the user’s manager about the action to be taken on the management of emails and folders. This will require the introduction of an Acceptable Use Policy, which we are currently preparing for issue.</p> <p>In any instances where we find that the user has left the Council, we will notify HR for them to take appropriate action.</p>	<p>Head of ISD and Head of Information Management.</p> <p>31 October 2019</p>

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3	<p><u>Security pass termination procedure</u></p> <p>The security pass termination procedure should monitor leavers against their security pass access. This cross check is intended to ensure that site access is not permitted to staff who have left the Council.</p> <p>Discussion with the Facilities & Support Client Services Manager identified that this procedure relies on the Workforce eForm (for staff leaving) being received by her as a basis for subsequent monitoring.</p> <p>Our testing established that the expected eForms are not being submitted in all cases (recommendation 1 refers) and therefore insufficient reconciliation controls are in place to ensure that security passes are effectively terminated for those staff who leave the Council.</p>	<p>Where security card access is not monitored and reconciled on a regular basis, there is an increased risk that leavers may still have access to the Council's sites post-employment. This could result in unauthorised access to the Council's property and potential theft of assets.</p>	<p>Management should ensure that:-</p> <p>(i) ID Card access is routinely monitored. It is recommended that a monthly report be generated by HR and made available to the relevant teams / staff with the ability to disable IT led functions (including staff ID access cards).</p> <p>(ii) Clear responsibility should then be set to confirm who will then systematically reconcile stated leavers to make sure that all those listed effectively have their access privileges removed.</p> <p>Management should seek assurance that this control continues to occur, to a timely frequency. Any exceptions should be escalated.</p> <p style="text-align: center;">Priority 2</p> <p>(This recommendation should be read, and implemented, in conjunction with recommendation 1 above)</p>	<p>We will provide a monthly report of leavers to Amey. Adecco already produce a report of monthly leavers to HR which can also be provided to aid in reconciliation.</p>	<p>Head of HRIS and Reward</p> <p>31 October 2019</p>

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4	<p><u>Verification of induction procedure</u></p> <p>The HR induction checklist has a number of induction tasks that should be undertaken by the starter and manager (i.e. communication of fire safety procedure etc.). There is however no subsequent monitoring by HR to confirm that this has been done.</p> <p>A corporate induction course is run by HR. We noted that the email inviting the new employee states which on-line training courses are mandatory and must be completed before attending the course (customer service standards and values, information governance and cyber security). These are not specified or shown as mandatory on the induction checklist. The checklist is dated June 2011 and in need of review and with ownership assigned.</p>	<p>Where mandatory training is not undertaken and/or the completion of induction tasks by starters is not verified, there is a risk that a lack of awareness could expose the employee and others to preventable hazards and incidents.</p>	<p>Management should:-</p> <p>(i) review and update the starter checklist to ensure that it clearly sets out which mandatory on-line training courses must be completed as soon as possible, and any other areas which should usefully be included e.g. gifts and hospitality and raising concerns.</p> <p>(ii) put monitoring arrangements in place to confirm that the mandatory on-line training courses and induction tasks have been completed, escalating any non-compliance with managers accordingly. This could include running reports to confirm the completion of on-line training courses and asking managers to return the completed and signed checklist to HR with the completed 3 month appraisal form.</p> <p>(iii) decide who will be responsible for ensuring that the above monitoring has been carried out and how and to whom any issues of non-compliance which are identified will be escalated.</p> <p>Priority 2</p>	<p>We have already started reviewing the starter checklist as recommended, ensuring that it clearly sets out the mandatory on-line training courses which need to be completed and including any other areas which are required.</p> <p>Monitoring arrangements and escalation processes will be put in place to ensure that mandatory training is complied with and 3 month appraisal forms for all new starters have been completed satisfactorily by managers.</p>	<p>Head of HRIS and Reward</p> <p>31 October 2019</p>

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5	<p><u>HR leavers' procedure notes</u></p> <p>Through walkthrough testing with the Head of HRIS & Reward, it was established that the leavers' procedure notes made available to staff are not reflective of the existing expected processes. We were informed that all procedures are being reviewed by the Head of HRIS & Reward over the coming months.</p>	<p>Leavers may not be processed correctly, resulting in them not being terminated and remaining on the payroll. This could have the impact of leavers being paid after their employment has been terminated.</p>	<p>Management should:-</p> <ul style="list-style-type: none"> (i) Review the existing procedures in place and establish a procedure document(s) that fully encompass both the starter and leaver processes. (ii) Publish the procedure document(s) on the intranet making them easily accessible to staff. (iii) Review the document(s) at the end of an agreed timeframe (e.g. every two years), or when changes to any core process have been made. As part of this, management should decide what oversight will be required to review and approve the procedures. <p style="text-align: center;">Priority 2</p>	<p>We have already started reviewing the existing procedures as suggested in the recommendation, including reviewing and deciding what oversight will be put in place.</p>	<p>Head of HRIS and Reward</p> <p>31 October 2019</p>

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6	<p><u>Electronic document management system</u></p> <p>From our sample testing of 16 cases, 14 were identified as having the leavers' checklist completed and retained on their physical file. One case (201748) did not have a corresponding leavers' checklist and another (383251) was not completed fully (the termination date was not completed on the Resourcelink database). Discussion with the Head of HRIS & Reward established that talks are being held for the team to switch over to an electronic document management system that will replace the current hard copy versions of the starters' and leavers' checklists. This will reduce the likelihood of errors and inconsistencies in completion.</p>	<p>There is a risk that the Council is not able to identify if procedures have been consistently followed, or if errors have been made. Consequently, management decisions may be made based on incorrect information.</p>	<p>Management should :-</p> <p>(i) put monitoring arrangements in place to ensure that leavers' checklists are fully completed. Where gaps in completion are identified, checks should be carried out to ensure that the action required in each case has been taken, and</p> <p>(ii) introduce a time bound plan to switch over to an electronic document management system.</p> <p>Priority 3</p>	<p>We have already started work on this and will put monitoring arrangements in place for the satisfactory completion of leavers' checklists and introduce a timescale for switching over to an electronic document management system.</p>	<p>Head of HRIS and Reward</p> <p>31 October 2019</p>

Assurance Level

Assurance Level	Definition
Substantial Assurance	There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.
Reasonable Assurance	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.
Limited Assurance	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
No Assurance	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.