

Final Internal Audit Report

Restructuring and Reorganisation Policy and Procedure Compliance – Housing Needs & Homelessness Division

April 2025

Distribution: Corporate Director of Housing
Director of Homelessness Prevention, Accommodation & Housing Need
HR Business Partner
Strategic Support Officer (Housing)
Head of Finance (Housing)
Corporate Director of Resources (Section 151 Officer) (Final only)
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Assurance Level	Issues Identified	
Substantial	Priority 1	0
	Priority 2	2
	Priority 3	1

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Forvis 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.

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1. Introduction

- 1.1. The London Borough of Croydon (the Council) Restructuring and Reorganisation Policy & Procedure, last updated in April 2024, sets out the Council's approach to conducting division restructures in a consistent manner. This sets out an approach to be followed from the consultation stage through to appointments and post restructure monitoring.
- 1.2. The consultation stage must include both informal and formal consultation where the proposal for reorganisation can be presented to staff and trade unions. Following the consultation stage an assimilation process will commence to define any staff who will be brought into the new structure.
- 1.3. Managers are advised to seek early advice and guidance from HR Consultancy within the Council regarding this process. The assimilation process sets out the stages of defining the 'Ring Fence & Access to New Posts,' 'Direct Assimilation,' and the process to be followed in a case of no match.
- 1.4. Additionally, the policy & procedure details redundancy situations, including the criteria used for selecting staff for redundancy. Unsuccessful staff are to be given notice and informed of their rights, including access to the Council's redeployment register. It also sets out the procedure to follow in the case of refusals.
- 1.5. Monitoring of staff that are likely to be affected by reorganisations should be conducted via an equality impact analysis to be reviewed during the restructure process. This is to be followed by a review period of 6-12 months after implementation.
- 1.6. In relation to appeals, the policy & procedure document sets out the procedure for staff who feel they have been treated unfairly at any stage of a reorganisation process, and which party the appeal should be addressed to dependent on the grounds of the appeal.
- 1.7. The audit sought to assess the extent to which the Council can demonstrate compliance with the Council's Restructuring and Reorganisation Policy & Procedure in relation to the restructure of the Housing and Homelessness Division commenced (March 2023). The Housing and Homelessness Division commenced a reorganisation under the Restructuring and Reorganisation policy in March 2023, when formal consultation stage commenced. Consultation period ended on the 28 April 2023 and was followed by implementation of the restructure which ended on the 25 September 2024. A restructuring review was conducted in August 2024 to review and if required address staffing issues that have resulted from the restructure.
- 1.8. The audit was undertaken as part of the agreed Internal Audit Plan for 2024/25. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1. The review was completed by a general internal auditor, not a specialist, therefore any commentary around Human Resources and implication it is purely on the extent to which compliance with the Council

policies can be demonstrated. A view or assessment on the outcomes or benefits realisation of the change nor compliance with relevant legislation is not being provided.

2. Key Issues

Priority 2 Issues

A review of five cases, where staff disputed the job matching results, found that the actual dispute process did not include the arbitration process as outlined in the Restructuring and Reorganisation Policy & Procedure (July 2011 or the latest version April 2024) and instead followed an appeal process which included the following steps:

- Appealing staff member to reconduct matching exercise;
- Email the reconducted matching exercise with a written rationale to the Council;
- Appeal is reviewed by the Appeal panel consisting of the Director or Head of Service; and
- Notification of result of the appeal is communicated to the staff member advising no further right to appeal the match. **(Issue 1)**

A 'Final Scope List' (dated May 2023) was created at initiation of the restructure to identify all staff in scope for the restructure and applicable for ring-fencing. The Housing Restructure Final Baseline Data Payroll and Resources (September 2023) then outlined all final staff who would be assimilated into the new structure following the ring-fenced interview process and redundancy.

A reconciliation of the two documents identified three employees who were appointed to a role in the new structure, however they did not appear within the Final Baseline Data Payroll and Resources spreadsheet.

Management was unable to advise why these staff members did not appear. **(Issue 2)**

The Priority 3 finding is included under item 4 below.

3. Actions and Key Findings/Rationale

Control Area 2: Assimilations processes

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 1
2	<p>Management to ensure the process is followed. The service leads sent out the information regarding the Job Matching to the staff group prior to liaising with HR. HR to emphasise and agree the steps in a reorganisation before any comms is communicated to the staff group. To support this process, a reorganisation/restructure checklist will be created to ensure compliance is followed in line with the policies and procedures.</p> <p>The requirement for dispute processes will be clearly outlined in the consultation documents.</p> <p>Section 2.2.11 of the Restructuring and Reorganisation Policy was</p>	<p>Expected Control</p> <p>The Restructuring and Reorganisation Policy & Procedure (July 2011) states that the Council will define a relevant pool of staff who will be affected by the reorganisation. Only staff within the ring-fenced group will be assimilated to posts in the new structure if their posts are being deleted as part of the re-organisation. To inform the assimilation, a “matching exercise” will be conducted between the role or functions of the current post and the role or functions of the new post.</p> <p>Following the matching exercise staff will be informed of the results. Should there be any disputes the policy & procedure details that an arbitration process will be undertaken with the Chief Officer (head of service or director) acting as the final arbitrator.</p> <p>Finding/Issue</p> <p>A review of five cases where staff disputed the job matching results, found that the actual dispute process did not include an arbitration process as outlined in the Restructuring and Reorganisation Policy & Procedure and instead followed an appeal process which included the following steps:</p> <ul style="list-style-type: none"> • Appealing staff member to reconduct matching exercise; • Email the reconducted matching exercise with a written rationale to the Council; • Appeal is reviewed by the Appeal panel consisting of the Director or Head of Service; and

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followed as the panel (HOS and HR business partner) met and looked at the dispute provided by the staff group to determine whether there was a fair match completed with the Job Matching exercise, which was completed by the Housing service. The Panel also assessed whether the match was correct. After reviewing the form, the panel concluded that the match was fair and accurate. They examined the dispute and comments submitted by the affected staff group, reviewed the role profiles, and conducted a job matching assessment to determine whether the dispute warranted a change to the original outcome.

There may have been some confusion around the terminology with “appeal,” but the dispute was followed with an independent panel as requested by the staff group.

HR will be responsible for reviewing the policy and

- Notification of result of the appeal is communicated to the staff member advising no further right to appeal the match.

These steps were not outlined within the Restructuring and Reorganisation Policy & Procedure (July 2011) or (April 2024).

Risk

Where there is a lack clear guidance in place for staff on the process to be followed when disputing results of the matching exercise there is a risk that staff are not aware of their right to appeal, or additional staff resource is spent advising staff on the process to be followed.

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	making the guidance clearer for all around the dispute.	
Responsible Officer	Deadline	
HR Advisor	September 2025	

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Control Area 3: Redundancy situations

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 2
2	<p>Management to follow the normal process and seek guidance from HR.</p> <p>The service to obtain all baseline data in accordance with those linked to their cost code to ensure all employees are accurately reflected.</p> <p>All processes to be clearly outlined in the consultation documents.</p>	<p>Expected Control</p> <p>All staff appointed to roles within the new structure should appear within the final base data for payroll and resources at the end of the restructure period.</p> <p>Finding/Issue</p> <p>A ‘Final Scope List’ (dated May 2023) was created at initiation of the restructure to identify all staff in scope for the restructure and applicable for ring-fencing. The Housing Restructure Final Baseline Data Payroll and Resources (September 2023) then outlined all final staff who would be assimilated into the new structure following the ring-fenced interview process and redundancy.</p> <p>A reconciliation of the two documents identified three employees who were appointed to a role in the new structure, however they did not appear within the Final Baseline Data Payroll and Resources spreadsheet.</p> <p>Management was unable to advise why these staff members did not appear.</p> <p>Risk</p> <p>Where there is a lack clear guidance in place for staff on the process to be followed when disputing results of the matching exercise there is a risk that staff are not aware of their right to appeal, or additional staff resource is spent advising staff on the process to be followed.</p> <p>Where full numbers of staff assimilated are not known there is a risk that reporting on redundancy/restructuring costs are inaccurate.</p>
Responsible Officer		Deadline
HR Advisor		September 2025

4. Priority 3 Issues

Agreed action	Findings
<p><u>Control Area 2: Assimilation process.</u></p> <p><u>Action proposed by HR:</u></p> <p>HR to review the policy and provide clear guidance on the process, which could be a checklist to ensure the Council is compliant when conducting a restructure/organisation change.</p> <p>The service will obtain all baseline data in accordance with those linked to their cost code to ensure all employees are accurately reflected.</p> <p>All processes to be clearly outlined in the consultation documents.</p> <p><u>Responsible Officer:</u> HR Advisor</p> <p><u>Deadline:</u></p> <p>September 2025</p>	<p>Expected Control</p> <p>The Restructuring and Reorganisation Policy & Procedure (July 2011 and April 2024 versions) details that when the matching exercise is undertaken the match will be based on the contents of the most up to date role profile, together with duties carried out by the post-holder.</p> <p>The matching exercise should be documented on the formal template provided which includes a sign off by the manager completing the matching.</p> <p>Finding/Issue</p> <p>A review of five job matching exercises found the following;</p> <ul style="list-style-type: none"> • None of the five job match documents were signed by the staff member who had conducted and/or approved the match; • One matching document (Temporary Accommodation Placement Officer) included four new job description extracts which could not be traced back to the actual job role provided; and, • One matching document (Contract Management Officer) which did not confirm in the matching document where new job role descriptions had not been matched to the current job description. <p>Risk</p> <p>Where the matching process is inconsistent there is a risk that matching is not conducted in accordance with Council Policy and challenged.</p>

AUDIT TERMS OF REFERENCE

Restructuring and Reorganisation - Policy and Procedure

Compliance- Housing Needs & Homelessness Division

1. INTRODUCTION

- 1.1 The restructure of the Housing Needs and Homelessness Division was implemented in August 2023 with the aim of ensuring that the Housing Needs and Homelessness service was fit-for-purpose with appropriate staff able to deliver an efficient and effective service and deliver savings of £1.25m savings to the General Fund over 2 years (2023/24 and 2024/25).
- 1.2 The Restructure was completed in line with the Council's Restructuring and Reorganisation Policy and Procedure. The restructure was presented to recognised trade unions in March 2023 at the Corporate Staff Consultation with a formal consultation running from the 13 March to 28 April 2023.
- 1.3 The restructure was managed by a HR Consultant working with the Director of Homelessness Prevention, Accommodation & Housing Need and a six-month review of the restructure was undertaken in February 2024.
- 1.4 This audit is being undertaken as part of the agreed Internal Audit Plan for 2024/25.

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 for each control / process being considered:
- Walked-through the processes to consider the key controls;
 - Conducted sample testing of the identified key controls, and
 - Reported on these accordingly.

3. SCOPE

- 3.1 This audit, focused on Restructuring and Reorganisation Policy and Procedure Compliance – Housing Needs & Homelessness Division, was undertaken as part of the 2024/25 Internal Audit Plan. The specific scope included the following areas and recommendations:





Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Proposals and consultations	0	0	0
Assimilation process	0	1	1

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Redundancy situations	0	1	0
Total	0	2	1

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:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	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 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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