

# Final Internal Audit Report

## Housing Disrepairs

### July 2024

Distribution: Corporate Director of Housing  
Interim Director of Housing – Assets and Repairs  
Interim Head of Repairs and Maintenance  
Corporate Director Resources and S151 Officer  
Director of Finance and Deputy S151 Officer

Assurance Level	Issues Identified	
No Assurance	Priority 1	3
	Priority 2	7
	Priority 3	0

#### 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 There are approximately 13,509 London Borough of Croydon (Council) owned dwellings which are rented to Council tenants. The Council is generally responsible for making sure the structure of rented property is kept in good condition (which includes the walls, ceiling, roof and windows); gas and electricity appliances work safely, and shared parts of a building or housing estate are kept in good condition.
- 1.2 The Homes (Fitness for Human Habitation) Act 2018 was introduced in March 2019 to amend the Landlord and Tenant Act 1985 to require that residential rented accommodation is provided and maintained in a state of fitness for human habitation. This Act brought in changes in law that now allow for tenants to take their landlord to court if they believe their home is not fit for human habitation.
- 1.3 At the end of October 2022, the Council had approximately 458 litigation cases with claims against the Council for disrepair (as recorded on the Council's Disrepair KPI Dashboard'), of which 408 were legacy cases.
- 1.4 Axis, the Council's property maintenance provider, had served notice on the contract and were currently working their notice period. As a result, the Council was undertaking a tender exercise at the time of the audit to procure a new contractor for housing repairs and maintenance. In the meantime, 'back-up' contractors had been brought on by the Council Disrepair Team to help deliver repair services to tenants.
- 1.5 Our review and testing were performed remotely. There was a lack of engagement from the Disrepair Team, with the Head of Repairs and Maintenance requesting a postponement of the audit on the first day of the audit, which we were unable to facilitate as the resource was already committed. As a result, we were unable to meet with the Repairs Technical Manager, who is responsible for the operational side of the Disrepair Team, until the penultimate day of the audit. Furthermore, we were unable to obtain much evidence relevant to our scope until late into the audit, including the Disrepair Tracker which was received on the final day of the audit.
- 1.6 As we did not receive the Disrepair Tracker until the final day of the audit, we were unable to perform the planned sample testing in relation to the effectiveness of controls in place for disrepair claims. As a result, we are providing No Assurance over the processes in place. We advised that the lack of engagement would lead to a No Assurance rating to the Head of Repairs and Maintenance and Head of Internal Audit during the course of the audit. We were informed by the Disrepair Team that there were several issues that led to the lack of engagement, most prominently due to an increase in workload because of media and other scrutiny following the inquest into the death of Awaab Ishak as a result of prolonged exposure to mould at his family's home in Rochdale.

- 1.7 The draft report was issued in February 2023 and it has taken a while to obtain a management response to enable this final report to be issued. It should be noted that while a number of the agreed actions are marked as complete, this is a management assertion which will be verified by Internal Audit through the follow up process.
- 1.8 The audit was undertaken as part of the agreed Internal Audit Plan for 2022/23. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

## 2. Key Issues

### Priority 1 Issues

Information gaps existed within the Disrepair Tracker and the Council's asset management system leading to a lack of oversight of disrepair cases. **(Issue 1)**

The Council did not comply with the 20-day statutory disclosure timescale that is required to be met following receipt of a 'Letter of Claim'. **(Issue 2)**

Remedial actions were not completed in a timely manner and there was a lack of monitoring and contractor management. **(Issue 3)**

### Priority 2 Issues

There was an absence of training relating to disrepairs claims and no guidance in place for handling disrepair claim cases. **(Issue 4)**

The Disrepair procedure / process document was in draft form and was incomplete. **(Issue 5)**

It was not possible to confirm whether formal complaints were being comprehensively recorded and tracked as we were only provided with the headings from the tracker and no content. **(Issue 6)**

There was a lack of guidance to inform settlements and no centralised record of settlement amounts kept allowing these to be tracked and reviewed. **(Issue 7)**

Meetings with contractors and resulting action logs could not be evidenced. **(Issue 8)**

A dashboard put in place to monitor and forecast the number of disrepair cases could not be evidenced as reported to the Director of Estates and Improvement and Corporate Director of Housing. **(Issue 9)**

Issues associated with disrepairs claims had not (at the time of audit) been formally or proactively communicated to Council tenants. **(Issue 10)**

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

**Control Area: Responding to Claims**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1
1	<p>A disrepair tracker (database) was initiated in July 2023 and all cases are recorded on this tracker, along with progress to enable closure.</p> <p>With the introduction of NEC in August 2023, all repairs are raised on this system and information recorded on repair status and completion.</p> <p>Monthly reporting commenced in January 2024 and there is a plan in place for legacy cases to be progressed to closure by 31 March 2025.</p>	<p><b>Expected Control</b></p> <p>A central record should be maintained of disrepair claims received and the process followed (date notified, period that disrepair settlement covers, reference to any ‘Scott Schedule’ (estimate of works required), settlement dates and costs). The tracker should be available to, and used by, all teams involved in the disrepairs process to allow for a streamlined and joined up approach to disrepair claims.</p> <p><b>Issue/Finding</b></p> <p>It was established that the Disrepair team (known as the ‘Hub’) maintain a Disrepair Tracker in Excel, with cases manually added to the tracker on receipt of a Letter of Claim. The Disrepair Hub will also upload the claim to the legal portal (Visual Files). We reviewed the tracker on the final day of the audit and confirmed that the framework of the tracker allows for the recording of a number of key elements such as the contact details of the tenant, the costs of the claim, the case status, an overview of the claim, any survey details and the assigned contractor. However, we noted significant gaps in the information recorded within the tracker and were informed by Repairs Technical Manager that the tracker had only been implemented following the restructure in August 2022 leading to a number of legacy cases not being recorded adequately. At the time</p>

		<p>of the restructure, there were a total of 527 active disrepair claims dating back to early 2018.</p> <p>It was also highlighted by the Deputy Head of Repairs and Maintenance that the asset management system used by the Council was not up to date and did not store repairs information. As a result, there was an over reliance on the contractor’s system to hold maintenance data. The Council had access to the contractor’s system to add work following which the Contactor contacts the tenant to organise a date for the repair. We were informed that the Council’s asset management system was able to indicate whether a repair had been raised and completed but that all notes on the progress of the repair were held on the contractor’s system.</p> <p>It should be noted that the Council’s contractor has served notice, and it is not clear on how this will impact on access to their systems and legacy case records held therein.</p> <p><b>Risk</b></p> <p>Insufficient information associated with a disrepair claim is recorded and available to the Council leading to an increased risk that claims received will be overlooked resulting in untimely turnaround. Claims are not progressed appropriately and remain open for an extended period of time, increasing the cost of the claim to the Council.</p>
Responsible Officer	Deadline	
Interim Head of Repairs and Maintenance	Complete	

**Control Area: Responding to Claims**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 2
1	<p>New process introduced in July 2023 ensures compliance with protocols. Disrepair database records this information.</p> <p>KPIs introduced from January 2024 to measure performance against this measure. Reports provided to monthly Disrepair Board chaired by Director of Repairs &amp; Asset Management.</p>	<p><b>Expected Control</b></p> <p>The Council should comply with the statutory 20 working day timescale to disclose information following the receipt of a Letter of Claim as set out in the Pre-Action Protocol for Housing Conditions Claims. The claim should be processed in accordance with internal procedures and the reply to the Letter of Claim should include all relevant records or documents requested by the tenant, a response to the tenant’s proposals for instructing an expert, and whether the liability is admitted or disputed.</p> <p>Performance against with the 20-day timescale should be monitored in order to assess the level of compliance.</p> <p><b>Issue/Finding</b></p> <p>We were informed by the Litigation Solicitor that there is poor compliance with the 20-day disclosure requirements due to delays in collating the relevant files for disclosure. The draft Disrepair Procedure sets out the process for responding to a claim on receipt of a Letter of Claim. The procedure allocates five days to the Disrepairs Hub from receipt of the claim to produce disclosure, audit the information and upload it to the legal portal. The time required by the Legal team to determine liability and respond to the Letter of Claim has not yet been allocated within the procedure.</p> <p>The Disrepair Tracker does not record compliance with the 20-day timeframe and no indication of timescales for disclosure being made is recorded.</p> <p><b>Risk</b></p> <p>The Council does not meet the 20-day disclosure timescale resulting in non-compliance with the Landlord and Tenant Act 1985, Pre Action-Protocol for Housing Conditions</p>

Responsible Officer	Deadline	Claims and the Homes Act 2018. Where compliance with the timeline is not recorded, tracked and monitored, there is a risk that management are be unaware of issues with the disclosure procedure meaning service failures cannot be addressed.
Interim Head of Repairs and Maintenance	Complete	



**Control Area: Remedial Actions**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 3
1	<p>New processes introduced in September 2023 include requirement for 100% post inspection of works.</p> <p>KPI's introduced in January 2024 include time taken to complete repairs; Monthly reports also include trackers for all open cases and oldest cases monitored to closure by Disrepair manger and Head of Service. KPI's also reported to DMT and CMT twice yearly.</p> <p>Disrepair cases also included on monthly strategic core group meetings with Mears and Wates and contractor performance reviewed.</p>	<p><b>Expected Control</b></p> <p>Disrepair works should be undertaken in a timely and complete manner and should be monitored by the Disrepairs Hub. Post inspections should be carried out following the completion of corrective works and tenant satisfaction should be sought.</p> <p><b>Issue/Finding</b></p> <p>We were advised at the time of the audit that the Council is starting to get through legacy disrepair cases but that in doing so are building a backlog of new cases.</p> <p>As raised earlier in this report, the Disrepair Team relied on contractor's systems to store information on repairs and did not maintain a central disrepair tracker until August 2022. Therefore, monitoring repair works was difficult as the responsibility for updating the progress of repairs within the contractor's system remained with the contractors.</p> <p>The draft Disrepairs Process shared with Internal Audit states that following disclosure to the tenants' solicitors, the Disrepairs Hub will appoint a surveyor to survey the property and produce a report. We were informed by the Litigation Solicitor that there are often issues in getting in-house surveyors to the property in a timely manner, which leads to the opposing counsel appointing expensive external surveyors to do the work.</p> <p>The Repairs Services Manager advised that surveyors attend the site regularly over the period of repair works to provide continuous snagging and management, however we were not provided with evidence of this occurring. Following completion of the works, the surveyor will attend the site to confirm works have been completed to a satisfactory level and will attempt to have the claimant sign a satisfaction sheet; however, we were</p>

		<p>informed that the claimants’ solicitors often advise claimants not to do so. The post inspection is passed to the Disrepair Hub for review and sign off.</p> <p>As we received the Disrepair Tracker on the final day of the audit, we were unable to perform sample testing in relation to the timely completion of works and post inspections.</p>
<b>Responsible Officer</b>	<b>Deadline</b>	<b>Risk</b>
Interim Head of Repairs and Maintenance	Complete	Disrepair works are not completed in a timely manner or to an unsatisfactory level. Post inspections are not completed or not signed off by tenants leading to the need for further works and recurring claims.

**Control Area: Legislative, Organisational and Management Requirements**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 4
2	<p>Training undertaken in September 2023; refresher training to be undertaken annually for all staff managing disrepair cases.</p> <p>Processes to be reviewed annually.</p> <p>KPI targets to be reviewed annually.</p>	<p><b>Expected Control</b></p> <p>Training and guidance in relation to disrepairs should be provided to staff involved in disrepair claims on an ongoing basis. Records of training provided, and attendees should be maintained.</p> <p><b>Issue/Finding</b></p> <p>The Council does not have a training plan in place for staff involved in disrepair claims in relation to the disrepair claims process nor relevant guidance for handling disrepair claim cases.</p> <p>We were informed by the Repairs Technical Manager that the Disrepair team has gone through a significant restructure, with the whole team now less than four months old. Whilst the team were recruited for experience, most are on agency contracts meaning the Council will not provide formal training.</p> <p><b>Risk</b></p> <p>Staff do not receive training with respect to the disrepairs processes or are inadequately trained leading to poor job performance and inconsistent working practices.</p>
<b>Responsible Officer</b>	<b>Deadline</b>	
Interim Head of Repairs and Maintenance	<p>Refresher training to be undertaken by 30 September 2024</p> <p>KPI's to be reviewed before 31 March 2025 for implementation in new f/year (2025/26)</p>	

**Control Area: Legislative, Organisational and Management Requirements**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 5
2	<p>Disrepair Policy reviewed in September 2023. Due to be reviewed again before 30 September 2024 - this review will include residents reading panel.</p> <p>Processes reviewed September 2023; due to have annual review by 30 September 2024. All processes held on Visio system and held in SharePoint folder.</p>	<p><b>Expected Control</b></p> <p>A comprehensive disrepair claims policy and procedure document should be in place and that fully explains the processes to be followed, indicates the key personnel involved, explains the roles and responsibilities of each team involved in the process, and details how the various teams should work together to process the claim. The document should be dated, include version control and indicate the date of the next review</p> <p><b>Issue/Finding</b></p> <p>The recently recruited Disrepair Team have drafted a process document in Microsoft Excel. The document includes a draft procedure flowchart that details the actions to be taken at each stage of the claim, the team responsible for completing the actions and the proposed timescale to complete the actions. The document also has a Roles and Responsibilities tab that identifies the key personnel involved in the disrepair claims process and provides a brief role description.</p> <p>This document had not been approved and finalised at the time of the audit, and we observed that the timescales in the process flowchart had not been documented for many of the actions. Furthermore, the document was undated, and the actions, roles, and responsibilities outlined in the document were brief with many comprising of less than a sentence.</p>
#Responsible Officer		<p>Deadline</p> <p><b>Risk</b></p>

Interim Head of Repairs and Maintenance	Initial action complete. Review due to take place by 30 September 2024.	The process for managing disrepair claims is unclear and staff involved in handling disrepairs claims are unaware of their roles and responsibilities leading to process and communication failures and further exposure to financial loss.
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**Control Area: Communication of Claims**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 6
2	<p>New process in place records all communication with tenants via SharePoint, until new CRM system implemented.</p> <p>Complaints process reviewed in line with Housing Ombudsman code, and all complaints (stage 1 and stage 2) recorded on Infreemation system and weekly reports produced by Corporate Complaints team. Stage 1 complaints reviewed by 'local teams' and responses saved on Infreemation.</p> <p>Stage 2 complaints managed by corporate team and responses saved on Infreemation.</p>	<p><b>Expected Control</b></p> <p>The Council effectively monitors reported disrepair complaints, with clear records maintained including any communication with tenants on the progress of the disrepair solutions. Procedures are in place to analyse disrepair complaints in order to prevent potential disrepair claims. Work assigned to external contractors is monitored, with the Council taking action to ensure the contractor fulfils the works to an acceptable standard.</p> <p><b>Issue/Finding</b></p> <p>In addition to disrepair claims, disrepair complaints are split into two levels of severity at the Council:</p> <ul style="list-style-type: none"> <li>• <i>Expressions of dissatisfaction</i> - are handled by the Repairs Services team, who receive enquiries from tenants via email, phone calls, or from other teams in the Council. A high-profile repairs tracker is used to monitor the status of the complaint.</li> <li>• <i>Formal complaints</i> - are handled by the Members and Residents team who launch independent investigations into the complaint. The team act as mediators between the Council and the tenant and will escalate disrepairs cases as necessary.</li> </ul> <p>We confirmed that the high-profile repairs tracker had been kept up to date by the Repairs Services team with regular updates on each case provided. However, whilst we were informed by the Members and Residents Services Manager that cases are recorded and tracked within a Complaints Excel tracker, we were only provided with the</p>

		headings from the tracker so are unable to provide assurance over the effectiveness of the process.
<b>Responsible Officer</b>	<b>Deadline</b>	<b>Risk</b>
Interim Head of Repairs and Maintenance	Complete	Disrepair complaints are not tracked and followed up in a reasonable timeframe, any repair works assigned to external contractors as a result of a complaint are not monitored and the work is not completed to a satisfactory level. Tenants resort to a disrepair claim as their complaint is not dealt with appropriately leading to increased cost to the Council.

**Control Area: Responding to Claims**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 7
2	<p>Settlement costs are discussed between the Disrepair Manager and Legal team before a part 36 offer is made. Offers made are in line with previous awards and benchmarked across other LA's and Housing providers. Each case must be reviewed individually to consider the level of award.</p> <p>Legal costs are monitored via the monthly Disrepair Project Board. Alternative Dispute Resolution process has commenced wef March 2024 and this will support reducing legal fees for future cases, it tenants agree to follow this process.</p>	<p><b>Expected Control</b></p> <p>Legal costs and compensation claims are subject to challenge and are recorded in a centralised record, which records the type of disrepair and the level of compensation and legal cost. Settlements are made subject to documented Council guidelines, are consistent (based on the type of disrepair) and are appropriately monitored.</p> <p><b>Issue/Finding</b></p> <p>We were informed by the Litigation Solicitor that legal costs and compensation are subject to challenge by the Legal Team. On receipt of a Part 36 settlement offer, the Legal team re-calculate the settlements and bill of costs to ensure that these are reasonable, however this step is not recorded within the Disrepairs Process document.</p> <p>Whilst we saw evidence of costs being challenged during a walkthrough performed via screenshare, as we received the Disrepair Tracker on the final day of the audit, we were unable to choose a sample to perform testing in this area and can therefore not provide assurance over the effectiveness of procedures in place.</p> <p>We were further advised by the Litigation Solicitor that there are no guidelines to inform settlement payments. The Disrepair Tracker contains columns to record the amounts paid for the bill of costs, the damages awarded to tenants and the fees to solicitors, however these are blank for the majority of cases.</p>
Responsible Officer	Deadline	<b>Risk</b>



Interim Head of Repairs and Maintenance	Complete	Settlements to tenants are made without challenge, leading to inflated pay-outs from the Council. There is no framework in place to compare claims for similar disrepair works leading to inappropriate and / or inconsistent pay-outs.
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**Control Area: Remedial Actions**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 8
2	<p>Weekly operational meetings in place from August 2023 with Wates and Mears. Additionally, monthly strategic core group chaired by Director in place from January 2024.</p> <p>KPIs and work programme reviewed at weekly and monthly meetings.</p>	<p><b>Expected Control</b></p> <p>Regular meetings take place between the Council and contractors. Efficiency of works is considered, such as addressing a damp problem in a whole block rather than one property where a claim is raised. Lessons learned are fed back into proactive or planned maintenance teams and plans for future prevention of cases</p> <p><b>Issue/Finding</b></p> <p>We were informed by the Repairs Services Manager that formal meetings with the Council’s current main contractors (Axis) occur weekly, with informal progress meetings often taking place daily. Whilst we were informed that an action log is used to record the outcomes of the weekly meetings with Axis, we were only provided with a template of the log used.</p> <p>At the time of the audit, a selection of backup contractors had been brought on to support the completion of disrepair works at the Council. We were informed that these contractors are met with on an informal basis that can range from weekly to monthly dependant on need. We were informed that actions resulting from the meetings are also recorded in an action log but were not provided with evidence of this.</p> <p>The Repairs Services Manager advised that the team have been 'firefighting' since they started, and that efficiency of works has not yet been considered.</p>

Responsible Officer	Deadline	
Interim Director of Housing – Assets and Repairs / Interim Head of Repairs and Maintenance	Complete	<p>We were also informed by the Repairs Services Manager that contractors are involved in the lessons learned process and that this is reflected upon within contractor meetings; however, we did not receive evidence of this being recorded.</p> <p><b>Risk</b></p> <p>The Council do not monitor contractors’ performance leading to a lack of awareness of the progress of disrepair works. Issues in repair works are not identified and escalated to the Disrepair Hub in a timely manner and efficiency of works are not considered leading to increased cost to the Council.</p>

**Control Area: Management Reporting and Lessons Learned**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 9
2	Wef January 2024, monthly Board meetings take place chaired by Director; Monthly reports also shared with DMT and twice-yearly reports with CMT.	<p><b>Expected Control</b></p> <p>Disrepair claims compliance is regularly reported to an appropriate level of management to identify poor performance. Regular performance statistics on claims are produced and reported to senior management and the Cabinet.</p> <p><b>Issue/Finding</b></p> <p>The Repairs and Maintenance team have recently implemented a dashboard to monitor and forecast the number of legacy and Business As Usual (BAU) cases. This dashboard tracks the number of legacy cases, the number of new cases, the number of cases completed and the number of breach cases and is updated weekly and sent out to the Heads of Service for Housing.</p> <p>Whilst we confirmed that the dashboard is reported to the Head and Deputy Head of Repairs and Maintenance on a weekly basis, we were informed that it was also reported to the Director of Estates and Improvement and Corporate Director of Housing monthly, however we did not receive evidence of this taking place.</p>
<b>Responsible Officer</b>	<b>Deadline</b>	<b>Risk</b>
Interim Director of Housing – Assets and Repairs / Head of Repairs and Maintenance	Complete	Management information is not reported to an appropriate level of seniority meaning management are unaware of potential service issues

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 10
2	Our website includes information on alternative dispute resolution, and we have had success with a number of cases since this was implemented in February 2024.	<p><b>Expected Control</b></p> <p>The Council has communicated with its tenant population with regards to the cost to the public purse of using 'no win no fee' law firms and has provided an alternative user-friendly approach to raising a disrepair claim directly.</p> <p><b>Issue/Finding</b></p> <p>We were informed by the Repairs Services Manager that the Tenancy team meet with him at least once a week to discuss repairs issues, the Tenancy Officers go on site to visit properties and communicate issues with tenants. The Council website has a clear formal complaints procedure and has information on disrepair claims against private landlords; however, there is not a page regarding disrepairs for Council tenants.</p> <p>We were informed that the issues associated with disrepairs claims had not (at the time of audit) been formally communicated to tenants.</p>
<b>Responsible Officer</b>	<b>Deadline</b>	<b>Risk</b>
Interim Head of Repairs and Maintenance	Complete	Where tenants are unaware of the public cost of using 'no win no fee' law firms for disrepair claims and where the Council does not provide an alternative process, there is a risk of continued claims being made through law firms and subsequent financial loss to the Council.

## **TERMS OF REFERENCE**

### **Housing Disrepairs**

#### **1 INTRODUCTION**

- 1.1 There are approximately 13,509 Council owned dwellings within the London Borough of Croydon and these are rented to Council tenants. The Council is generally responsible for making sure the structure of rented property is kept in good condition (which includes the walls, ceiling, roof and windows); gas and electricity appliances work safely, and shared parts of a building or housing estate are kept in good condition.
- 1.2 The Homes (Fitness for Human Habitation) Act 2018 was introduced to amend the Landlord and Tenant Act 1985 to require that residential rented accommodation is provided and maintained in a state of fitness for human habitation.
- 1.3 At the end of May 2022, the Council had approximately 390 litigation cases with claims against the Council for disrepair. There are approximately 25 cases where the court order for repairs to be completed in 56 days has been breached.
- 1.4 Axis, the Council's property maintenance provider, have served notice on the contract and are currently working their notice period. As a result, the Council is preparing a tender exercise to procure a new contractor for housing repairs and maintenance.
- 1.5 This audit is part of the agreed Internal Audit Plan for 2022/23.

#### **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
- 2.3 Our findings, conclusions, and recommendations arising from the audit will be presented at an exit meeting to be arranged with the auditor. Following the exit meeting, a draft report will be issued encompassing the auditor's initial comments.

### 3. SCOPE

3.1 This audit included the following areas (and issues raised):





Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational and Management Requirements	0	2	0
Communication of Claims	0	1	0
Responding to Claims	2	1	0
Remedial Action(s)	1	1	0
Management Reporting and Lessons Learned	0	2	0
<b>Total</b>	<b>3</b>	<b>7</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 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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