

Final Internal Audit Report

Legal Services

September 2024

Distribution: Corporate Director of Resources and S151 Officer
Director of Legal Services and Monitoring Officer
Head of Legal Business and Compliance
Head of Social Care & Education Law
Head of Litigation & Corporate Law
Director of Finance (Deputy S151 Officer)

Assurance Level	Issues Identified	
No Assurance	Priority 1	2
	Priority 2	6
	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. Local authorities typically have a legal department to provide corporate and operational legal advice, assistance and support to its employing authority for the benefit of the community the authority have been set up to serve.
- 1.2. Within Croydon Council (Council) a new Legal Services model went live in January 2018 with Service Level Agreements being finalised in April 2018. The model was implemented to provide a high quality, cost effective legal service which was able respond to financial challenges and evolving needs through a combination of insourcing certain areas of work whilst maintaining a gatekeeper role for all external legal instructions. Should mention the significant changes in the longstanding senior management following the first Report in the Public Interest. Also, staffing freeze and reduction in view of the Council's finances.
- 1.3. Croydon Legal Services (CLS) provides a range of services across the Council and comprises specialist solicitors, in-house advocates, paralegals and legal business support officers, with an in-depth understanding of the Council's functioning, values and responsibilities.
- 1.4. CLS is structured across three main teams:
 - Litigation and Corporate Legal - dealing with litigation, housing and corporate governance;
 - Commercial and Property Legal - dealing with commercial, property, planning and internal legal support to major projects;
 - Social Care and Education Legal - dealing with child protection, adult social care and education; and
 - Legal Business team- provides administrative support to the legal team as well as being responsible for managing contracts such as LBLA, Browne Jacobson, Lexis Nexis (visual files case management system). As well as processing invoices and recharges
- 1.5. The cost of CLS is recharged to other services within the Council. The recharge is calculated using the data from Visual Files case management system. Monthly statements are generated from Visual Files, to ensure services across the Council are re-charged according to the work they generate for the Legal team. Work was undertaken in September 2023 by Finance to readjust the previous recharge model. The intention was around adjusting/reviewing charging rates for the financial year so that they reflect the up-to-date level of expenditure incurred by the Legal Business team.
- 1.6. According to the Council Revenue and Capital Budget Programme 2022/23, CLS commissions legal services on behalf of other departments which are recharged respectively. The total budgeted recharges reported to other departments by CLS in 2021/22 was £4,164,000 and in 2022/23 was £4,536,000. The budgeted staff FTE for 2021/22 was 42.5 and for 2022/23 was 41.5.

- 1.7. Our review and testing were performed remotely. There was a lack of engagement from CLS in conducting this internal audit review all Heads of Service engaged. and we were unable to obtain much evidence relevant to our scope. As we were unable to perform the planned sample testing in relation to the effectiveness of controls in place for CLS, we are providing No Assurance over the processes in place.
- 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.
- 1.10 It should be noted that this is a 2022/23 audit that was conducted in June and July 2023, with a draft report issued in August 2023. The delay in the Service providing responses to the draft, has delayed the issue of this final report.

2. Key Issues

Priority 1 Issues

Up to date, comprehensive CLS policies, procedures and guidance could not be confirmed as being in place. **(Issue 1)**

CLS did not provide access to the legal portal or to system reports and therefore we were unable to provide assurance that cases were being managed effectively with adequate oversight. **(Issue 2)**

Priority 2 Issues

The current Legal SLA, which dates back to 2018, could not be evidenced as reviewed, updated or shared with the Council's departments. **(Issue 3)**

Although a Legal Services CIP 2022-2023 and associated Legal Services Action Plan for January to March 2023 was in place, we were unable to confirm that KPIs were being monitored or achieved nor that actions had been progressed or implemented. In addition, the Legal Services Action Plan January to March 2023 had no completion dates for all seven actions in the plan and three of seven actions did not have a start date. **(Issue 4)**

Although one of the purposes of the CIP was to improve quality and value of legal work, it was not possible to confirm whether CLS sought feedback or planned to introduce an end-user/customer satisfaction survey as part of the CIP. Feedback received from nine CLS end-users interviewed as part of the audit fieldwork identified a number of concerns on the legal service being provided. **(Issue 5)**

CLS' income (recharge) budget was over £700k higher than the sum of the individual Directorate's legal expenditure budgets due to lack of coordination between CLS and the Directorates' finance representatives on reconciling legal expenditure budgets with the legal recharge income budget. **(Issue 6)**

There did not appear to be sufficient analysis and control over the main external provider of legal services to the Council due to its costs not being tracked under a single account code. **(Issue 7)**

Reconciliations for Legal recharges journals from April to September 2022 could not be evidenced as completed as these were not provided to Internal Audit. **(Issue 8)**

There were no Priority 3 findings identified as part of this audit.

3. Actions and Key Findings/Rationale

Control Area 1: Legislative, organisational and management requirements

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1
1	<p>The in-house Legal team (CLS) does not operate as a separate entity. CLS are subject to the same internal policies, procedures, and guidance as the rest of the Council.</p> <p>Documents to be reviewed:</p> <ul style="list-style-type: none"> Automated email acknowledging instructions Client care memo Closing letter Client satisfaction questionnaire <p>To consolidate all documents and to be referred to as the Legal Services Office Manual and stored in a shared drive or folder.</p>	<p>Expected Control</p> <p>There are sufficient, comprehensive and up to date policies, procedures and guidance on legal services provided within the Council that highlight end-to-end processes and procedures for legal services. This includes processes such as: triage of legal requests, estimation and allocation of legal requests, liaising with an outsourced legal service providers the legal charging and recharging process (this should be included in the general SLA), use of the legal portal, legal services training and legal end-users' communication with CLS.</p> <p>Finding/Issue</p> <p>Although requested from the Head of Legal Business and Compliance, no response was received and therefore it was not possible to confirm whether there were current and appropriate policies and procedures in place.</p> <p>Review of CLS' CIP 2022-2023 noted that one of the initiatives, 'Procedures –review & align', was planned in Q2-Q3 of 2022. However, no evidence of this review or update was provided.</p> <p>Risk</p> <p>There is a risk that the process for managing legal services is unclear and staff involved in handling, providing and recharging for service requests are unaware of their roles</p>
	<p>Responsible Officer</p>	<p>Deadline</p>

Legal Heads of Services	October 2023	and responsibilities leading to process and communication failures and risk of reducing the efficiency and quality of services provided.
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Control Area 2: Legal services requests and demand management

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 2				
1	<p>The legal instructions portal supported via SharePoint needs improvement. Our case management system, Visual Files allows for effective tracing of cases. The types of data we are able to obtain from the legal instructions portal is number of instructions, types of matters, departments/ service areas most reliant on CLS.</p> <p>The legal instructions portal add on to VFs will allow for us to better manage demand on legal services. Officers (with permission) will be able to check status of matter, cost, and will be able to submit instructions through our case management system, which will allow for a more streamline and effective process.</p>	<p>Expected Control</p> <p>There is effective oversight and management of legal cases through the legal portal system to help ensure that triaging, progress updates, pre-verification of financial recharges and closure of cases are being recorded effectively. The system should allow for effective tracing of cases in addition to auditing cases. Furthermore, assignment of cases to internal legal resources should be based on the level of skills and experience of the legal resource in addition to capacity considerations.</p> <p>Finding/Issue</p> <p>CLS was requested to provide a walkthrough of the legal portal system in order to review a sample legal service cases and assess whether the full legal request process from triage through to closure of the case had been followed. However, the Head of Legal Business and Compliance advised that this could not be facilitated as the department was short staffed and the only officer who could provide such a walkthrough was on a secondment.</p> <p>Consequently, no relevant portal/system reports were able to be reviewed as part of the Internal Audit and as a result no assurance can be provided that cases were being managed effectively with adequate oversight.</p> <p>Risk</p> <p>The management of legal services cases, such as triaging of cases, assignment of legal resources and closure of cases, is not undertaken in an efficient manner and stages of the process are not recorded.</p> <p>Management cannot monitor performance leading to a lack of awareness of the progress of legal service requests. Issues in services provided are not identified and</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>All Heads of Service</td> <td>October 2023</td> </tr> </tbody> </table>	Responsible Officer	Deadline	All Heads of Service	October 2023	
Responsible Officer	Deadline					
All Heads of Service	October 2023					

addressed in a timely manner and suitability of resources used are not considered potentially leading to increased costs to the Council and capacity issues within CLS.

Control Area 1: Legislative, organisational and management requirements

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 3				
2	<p>SLA reviewed in 2023 and discussed at Legal and Directorates DMT (Housing, Children & Adults). But Housing is requesting changes which is currently under consideration.</p> <p>SLA to be amended to reflect the current financial year. SLA to be sent to all Directorates for approval and signatures. This should be actioned as part of the regular meeting with Corporate Directors DMT.</p>	<p>Expected Control</p> <p>For the provision of Legal Services to be effective, an up to date and approved Legal SLA should be in place and shared with all departments within the Council. The Legal SLA should provide clarity on the legal services provided and the expectations on both CLS and of the departments making use of the legal service. End-users receiving legal services should be satisfied with the content of the Legal SLA in terms of the clarity and level of detail it provides.</p> <p>Finding/Issue</p> <p>Review of the Legal SLA provided by the Head of Legal Business and Compliance noted the following issues:</p> <ul style="list-style-type: none"> • The SLA received stated that it: <i>‘will commence on 1st April 2018 and the length of agreement will be for at least one year, or until such a new agreement be in place’</i>. No evidence of any update or review of the SLA subsequent to this date was provided; and • It was not possible to confirm that the current SLA was discussed and shared with the Council’s departments to obtain their feedback. Although this information was requested from the Head of Legal Business and Compliance, no response was received. <p>In addition, of feedback received from nine legal services end-users within the Council interviewed as part of this internal audit, four indicated that the SLA could be improved if it included information on the internal and external scope of services and guidelines.</p> <p>Risk</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Director of Legal Services and Heads of Service</td> <td>October 2023</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Director of Legal Services and Heads of Service	October 2023	
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Director of Legal Services and Heads of Service	October 2023					

Without an up-to-date, clear and comprehensive SLA in place that has been approved and shared internally within the Council, there is a lack of clarity around the expected level of services being provided, resulting in end-user dissatisfaction.

Control Area 1: Legislative, organisational and management requirements

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 4
2	<p>The Legal Services Action Plan has now been replaced or incorporated into the Legal and Democratic Services Plans 2023/24. There are completion dates. There is a separate document that should set out the progress update. The CIP 22/23 is historic, redundant and now incorporated into the Service Plan.</p>	<p>Expected Control</p> <p>As part of the development of a new legal service model, a legal services roadmap or plan should be prepared and monitored to ensure it remains up to date, with associated actions tracked and updated until fully implemented.</p> <p>Finding/Issue</p> <p>Review of CLS’ CIP 2022-2023 and the associated Legal Services Action Plan for January to March 2023, provided by the Head of Legal Business and Compliance, noted the following:</p> <ul style="list-style-type: none"> • Within CLS’ CIP 2022-2023, various KPIs were set out and initiatives were mapped (within Road Map 2022) to each quarter from Q4 2021 to Q4 2022; however, no evidence was provided that KPIs were being monitored and achieved nor that actions had been completed or were in progress; • Management advised that a CLS paper was presented to Finance team, members and the Corporate Leadership Team (CLT) during Q3 2021, which was used as an input for the CLS CIP 2022-2023, in particular to inform savings targets. However, evidence was not received and therefore it was not possible to confirm whether this paper had informed the CIP; and • Review of the Legal Services Action Plan January to March 2023 noted: <ul style="list-style-type: none"> • None of the seven actions in the action plan had an estimated completion date; • Three out of seven actions within the action plan did not have a start date; and • For two out of seven actions, no updates were provided on the status of the action by the Head of Service.
Responsible Officer	Deadline	

Director of Legal Services	October 2023	Risk Without effective oversight and continuous monitoring of actions in the Legal Services CIP 2022-2023 and associated action plan, delays could occur to the full implementation of the Plan, which could result in end-users' service expectations not being met.
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Control Area 1: Legislative, organisational and management requirements

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 5
<p>2</p>	<p>BJ contract is monitored through quarterly meetings , data provided, SPOC arrangement etc. Also see the Legal Services Office Manual.</p> <p>Legal Services are now part of the London Borough Legal Alliance and able to source alternative legal service providers.</p> <p>Legal portal to be merged with Visual Files Case Management System to all client better access to progress update on cases. This will be an integrated system and enable better case reporting. This will require IT investment in our systems.</p> <p>Legal Services is already taking forward an “invest to save proposal” to increase its in-house capacity and reduce spend on external Solicitors.</p>	<p>Expected Control</p> <p>Directorate end-users who receive in-house legal services from the Council are satisfied with the level of service provided and are proactively asked to provide feedback. This can be achieved by clarifying how the legal services model operates, timely resolution of end-user concerns and ensuring value for money for legal services provided.</p> <p>Finding/Issue</p> <p>Although one of the purposes of the CIP was to improve quality and value of legal work, it was not possible to confirm whether CLS seek feedback or plan to introduce an end-user/customer satisfaction survey as part of the plan.</p> <p>Nine end-users who received in-house legal services at the Council from four different Directorates were interviewed to obtain their feedback on the legal services received. The following is a summary of end-users concerns and recommendations, in order of how frequently those concerns were raised:</p> <ul style="list-style-type: none"> • No breakdown of services on the bills received from the main legal service provider, ‘Browne Jacobson’. Although the Legal Head of Service stated that reports were available detailing the services provided, none were provided to internal audit; • No evidence of CLS monitoring the Browne Jacobson contract and the services provided; • Concerns around the value for money of outsourced legal services potentially due to a dependence on a single external legal services provider, Browne Jacobson; • Ineffective use of the legal portal to provide interaction and progress updates and too much reliance on off-portal communication;

	<p>There are arrangements in place for Legal Services to attend on a quarterly basis Directorates DMT. This has happened in Housing, Children and Adults Directorates. The arrangement now needs to be firmed up across all Directorates. In addition, there are regular formal and informal meeting arranged by Legal Heads of Service with Directors and Heads of Services.</p> <p>Arrangement to made for regular feedback from Client Directorate on the conclusion of a case and to inform service improvement.</p>	<ul style="list-style-type: none"> • A need for specialist in-house or external solicitors; • Lack of periodic meetings between CLS and directorates receiving legal services; • Lack of detail of internal legal services in the SLA which only included generic roles and responsibilities of both CLS and the end-users receiving legal services; • A need for CLS to provide a knowledge hub or frequently asked questions as part of its information for internal end-users; • Lack of timely progress updates on legal cases; • Lack of analysis of legal cases after the closure of cases as part of a lessons learned process; • Quicker responses from CLS required; • A need for flexibility from CLS in terms of communication and accommodating end-users’ requests in a timelier manner; and • Capacity issues of CLS. <p>In addition, a number of value for money issues were raised, including a case in which a bundle of legal services that was quoted by the main legal service provider at £33k, was completed internally for £3k (this was verified through refence to supporting evidence). Similarly, one of the end-users interviewed provided details of a case where an Employee Tribunal (ET) case was quoted at £25k (which was considered to be very high) where communication on the case was conducted directly between the HR department and the main legal service provider without the involvement of CLS.</p> <p>All of the above points of feedback were based on more than one instance of the concern or recommendation being raised in interviews with end-users. However, no feedback or response was received from the Head of Legal Business and Compliance in relation to the above points of end-user feedback.</p>
<p>Responsible Officer</p>	<p>Deadline</p>	
<p>Legal Heads of Service and Head of Legal Business</p>	<p>October 2023</p>	<p>Risk</p> <p>Failure to seek and address the concerns of end-users of the Directorates receiving legal services could result in complaints and dissatisfaction with CLS. A lack of access</p>

to reliable and responsive legal services could result in poor service delivery across the Council.

Control Area 4: Monitoring of budgets

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 6
2	<p>The Head of Finance has worked closely with the new Legal Business support manager to review and improve the recharge model. This has included improvements to the information coming from the legal case management system and a review of the charging mechanisms including re-modelling hourly rates and mapping of data.</p> <p>Robust budget monitoring for legal was in place at the time of this audit, with a thorough review and forecast monthly with Finance, budget managers, Directors and Corporate Directors and is reported through the Monthly Financial Performance report that goes to Cabinet.</p>	<p>Expected Control</p> <p>The CLS legal services income budget should agree to the individual Directorate’s legal expenditure budgets, with a reconciliation process in place to ensure there is no variance. This process should involve coordination and discussion between CLS and departments acquiring legal services. Additionally, there should be regular meetings held between CLS and departments acquiring legal services for budget setting purposes.</p> <p>Finding/Issue</p> <p>Review of the Legal 2023-24 Recharge Expenditure and Income Budgets extracted from the Council’s ‘My Finance system’ noted that CLS’ recharge income budget was £700,400 higher than the sum of the respective Directorate legal expenditure budgets. The Finance Manager (FM) for Resources & ACE advised that this variance had arisen due to lack of co-ordination between CLS and the Directorates’ finance representatives on harmonising legal expenditure budgets with the legal recharge income budget. The FM further stated that no discussions had occurred between Directorates receiving legal services and their respective Finance representatives to reconcile the legal expenditure budgets to legal income budgets, where ideally the difference should be zero. In addition, the FM confirmed that there was no co-ordination between CLS and the Directorates receiving legal services around budget setting.</p>

	<p>Some cross organisation budget improvements were made in 2022-23 as part of the “opening the books” exercise. Managing budgets across services remains difficult. The Legal Team operate a trading model, and as such budgets belong to the services above the line. In terms of recharge actuals, the Legal recharges at year end 2022-23 and 2023-24 were reconciled and recharges for 2024-25 are now being carried out by monthly journals.</p> <p>Budget monitoring is carried out against the Legal Service operational budgets to ensure there is no creeping growth through recharging services.</p>	<p>No response was received from the Head of Legal Business and Compliance regarding the process for budget setting between Directorates and CLS nor whether the charging/recharging rates would be reviewed for 2023-24.</p>
		<p>Risk</p>
		<p>Without effective Directorate-level budgeting and reconciliation between legal expenditure and legal recharge income budgets, significant variances could continue to occur, which could result in financial loss or cashflow issues for Directorates and the wider council.</p>
<p>Responsible Officer</p>	<p>Deadline</p>	
<p>Lesley Shields – Head of Finance</p>	<p>Complete</p>	

Control Area 4: Monitoring of budgets

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 7
2	<p>A separate account code was in place at the time of the audit. In 2022-23 this wasn't being used across the service. From 2023-24 the code was full use. The services have always been able to use supplier reports and finance system transaction data to identify Brown Jacobson spend if they wanted to and Finance have facilitated request in the past.</p> <p>Legal Services have a 2024-25 saving target attached to the reduction of external legal spend are employing more internal staff in an attempt to reduce the reliance on companies such as Brown Jacobson</p> <p>Legal Services are also improving the way in which they provide information to services including developing manager dashboards and the future introduction of regular Legal</p>	<p>Expected Control</p> <p>There should be effective financial control over the contracting-out of legal services at the Council, which is primarily to a single main legal service provider. A separate account code should be set up to identify all fees and cost allocations to the main legal service provider, which can then be subject to financial analysis to identify whether value for money is being achieved.</p> <p>Finding/Issue</p> <p>The Finance Manager – Resources & ACE reported that the process for requesting services from the main external legal service provider at the Council involved the CLS raising a purchase order that is charged directly to the Directorate's cost centre as part of the legal recharging process. However, there was no separate account code to capture the main service provider's costs separately from those provided in-house, in order to allow for effective cost analysis.</p> <p>Concerns were also raised in relation value for money achieved as part of a series of end-user interviews (see issue 5).</p> <p>Risk</p> <p>Without a specific account code to allow analysis of the costs related to the main legal services provider at the Council, there will be limited management information available to Directorates to allow them to assess the cost-effectiveness of external legal services.</p>

	Business Partner meetings with services.	
Responsible Officer	Deadline	
Lesley Shields – Head of Finance	Complete	

Control Area 5: Financial and management reporting

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 8
2	<p>The legal recharges journals are checked for accuracy, but in terms of allocation of charges to services for individual pieces of work, these are reliant on a robust case management system and the quality of the information in it.</p> <p>Finance and the Legal Business Support Manager are working closely to improve all aspects of recharging including monthly recharge journals. Improvements have been well received by the services. Services now have timely information with the detail available to challenge where appropriate.</p> <p>Improvements in the data quality and the system reports in particular are having a very positive impact on the service users.</p> <p>There are no unreconciled items in the recharge exercise.</p>	<p>Expected Control</p> <p>The legal recharges journals should be reconciled and reviewed by the Finance department, in coordination with CLS, to help ensure the accuracy of these.</p> <p>Finding/Issue</p> <p>Reconciliations for Legal recharge journals from April to September 2022 could not be evidenced as completed as these were not provided to Internal Audit.</p> <p>Risk</p> <p>Without reconciliation of the legal recharges journals, variances may go unnoticed or uninvestigated, resulting inadequate financial control that could lead to financial loss for the Council.</p>

	Finance do not post monthly journals until the charges are reviewed and challenged where appropriate with the Legal Services Team.	
Responsible Officer	Deadline	
Lesley Shields – Head of Finance	Complete	

AUDIT TERMS OF REFERENCE

Legal Services

1. INTRODUCTION

- 1.1 The new Legal Service model went live in January 2018 with Service Level Agreements finalised in April 2018. The model was implemented to provide a high quality, cost effective legal service which is able respond to financial challenges and evolving needs through a combination of insourcing certain areas of work whilst maintaining a gatekeeper role for all external legal instructions.
- 1.2 Croydon Legal Services team (CLS) provides a range of services across the Council and comprises specialist solicitors, advocates and legal assistants, with an in-depth understanding of the Council's functioning, values and responsibilities.
- 1.3 CLS is structured across three main teams:
 - Litigation and Corporate Legal - dealing with litigation, housing and corporate governance.
 - Commercial and Property Legal - dealing with commercial, property, planning and internal legal support to major projects.
 - Social Care and Education Legal - dealing with child protection, adult social care and education.
- 1.4 Per Croydon Council Revenue and Capital Budget Programme 2022/23, CLS commission legal services on behalf of other divisions which is recharged to these respective divisions. The total budgeted recharges to other Services by CLS in 2021/22 was £4,164,000 and in 2022/23 was £4,536,000. The budgeted staff FTE for 2021/22 was 42.5 and for 2022/23 was 41.5.
- 1.5 This audit is being undertaken as part of the agreed Internal Audit Plan for 2022/23.

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:
 - Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE





3.1 This audit, focused on Legal Services, was undertaken as part of the 2022/23 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)
Legislative, organisational and management requirements	1	3	0
Legal services requests and demand management	1	0	0
Oversight and management of costs recharged to divisions	0	0	0
Monitoring of budgets	0	2	0
Financial and management reporting	0	1	0
Total	2	6	0

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 the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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