

Final Internal Audit Report

TfL Reclaims

October 2024

Distribution: Corporate Director of Sustainable Communities, Regeneration & Economic Recovery
Director of Planning & Sustainable Regeneration
Interim Head of Strategic Transport
Interim Head of Corporate Finance
Head of Finance (SCRER)
Principal Accountant
Corporate Director Resources and S151 Officer
Finance Director and Deputy S151 Officer

Assurance Level	Issues Identified	
Limited Assurance	Priority 1	3
	Priority 2	1
	Priority 3	3

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 In 2021, Croydon Council (Council) developed an Infrastructure Delivery Plan¹ with the aim of identifying the borough's social, physical, and green infrastructure requirements to support the development of a 20-year infrastructure development plan. Additionally, the Council develops a Local Implementation Plan (LIP) to implement the Mayor of London's Transport Strategy within the Borough. TfL provides funding under Section 159 of the GLA Act 1999 to help London Councils deliver their LIPs.
- 1.2 The Infrastructure Delivery Plan sets out the required upgrades to the borough's transport infrastructure, such as rail capacity increases, station improvements, upgrades to the tram and bus networks and corridor upgrades (including the A23/A232 Fiveways Junction). The Lead Partner for many of these improvements to the borough's transport infrastructure is Transport for London (TfL).
- 1.3 The Strategic Transport service is responsible for both developing transport policies at the Council and translating local priorities and regional policies into delivery plans and programs. At the time of the audit in February 2023, their focuses included:
- Development of the plan and associated programmes required to implement the Mayor's Transport Strategy² within Croydon's LIP;
 - Provision of transport advice to the planning authority on development plan and master plan making and advise to the Development Management Service and Planning Committee(s) on the transport implications of development proposals;
 - Bidding for funds through the LIP, drawing funding from TfL, Community Infrastructure Levy (CIL), Section 106 (S106) and the Capital Programme to improve transport and infrastructure in Croydon, and
 - Running a programme to deliver electric vehicle charging points and encourage the take-up of electric vehicles.
- 1.4 LIP funding is the process through which TfL provides councils, such as Croydon, with financial support. The financial support received is to be used to improve the Council's transport networks in a way which is consistent and aligned with the Mayor's Transport Strategy, such as supporting increased walking, cycling and use of public transport.
- 1.5 Each year London Councils must submit an LIP annual spending submission, which details the specifics of the individual programmes they wish to take forward. At the end of the financial year, each council must submit a "Form C" report to TfL on how they have delivered across a range of outputs, including

¹ [Croydon's Infrastructure Delivery Plan 2022](#)

² [The Mayor's Transport Strategy - Transport for London \(tfl.gov.uk\)](https://www.tfl.gov.uk)

- cycle parking, 20mph zones and pedestrian crossings. This requirement was suspended during the COVID-19 pandemic for two years.
- 1.6 TfL confirms via e-mail the year-end financial requirements, including matters relating to claims and Value of Works Done (VOWD), together with key dates for year-end business. Councils must ensure that VOWD reported on the Portal is accurate and that the scope of work is in accordance with the LIP guidance ([LIP Finance and Reporting Guidance 2019 \(tfl.gov.uk\)](#)).
 - 1.7 In accordance with the Local Implementation Plan Healthy Streets Funding: 2022/23 – 2024/25 report, which was reviewed by the Cabinet in January 2023, the Council's forecast budget for LIP Healthy Street Projects was £4,833,636 for 2022/23, £10,112,120 for 2023/24 and £9,708,512 for 2024/25. The Council forecast that this would require funding from TfL of £3,434,000 for 2023/24 and £4,415,000 for 2024/25 respectively. The Council's final claim for 2021/22 was £1,646,497.
 - 1.8 The Spending Control Panel (SCP) of the Council, approves all the funding and grant requests made, with decision making around project level activities delegated to the appropriate tier according to the Scheme of Delegated Authority.
 - 1.9 The Council use a contractor, FM Conway, who provides services of infrastructure development including highway maintenance services, as well as project management services, as well as a wide range of other services.
 - 1.10 In 2023 the Council introduced a Transport and Highways Board, which meets monthly (its first meeting being February 2023). The aim of this Board is to ensure a joined-up approach between various teams within the Council, such as Sustainable Communities, Planning and Sustainable Regeneration, and Finance, as well as with TfL, Department for Transport (DfT) and National Rail (NR). The Board's objective is to allow for effective and efficient management and oversight of the Council's project/ programmes, budgets, project designs, responsibilities, and financial management. It reports to the funders monthly on any under/ overspends of the smaller of 10% or £10,000 and ensure that the financial scheme of delegation and S114 procedures are followed. The Transport and Highways Board superseded the LIP Programme Board, which served a similar purpose, and last met in October 2022.
 - 1.11 One of the first actions of the Transport and Highways Board is to oversee the development and implementation of policies and procedures for the TfL Reclaims process. These policies and procedures are a part of the development of a set of Financial Policies and Procedures for the whole Council. These were being written by the Head of Finance, who is a part of the Transport and Highways Board.
 - 1.12 This audit was undertaken as part of the 2022/23 Internal Audit Plan agreed by the Council Audit Committee. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues**Priority 1 Issues**

While carrying out year-end reconciliations, the Council identified four areas of concern relating to TfL Funding in the areas of Strategic Transport Capital Monitoring carried out for 2022/23:

- Errors with funding cost codes within the Council's asset management system 'Confirm';
- Data inaccuracies and insufficiency within Confirm in relation to TfL funding and reclaims;
- Significant uncleared accrual balances (the value was unknown at the time of the audit as calculations were still ongoing); and
- Inaccuracies, insufficiency and absence of retention of timesheet records (of staff and contractors).

As a result, TfL Claims for 2022-2023 may be inaccurate. The Council was in the process of conducting an in-depth review into the above issues and intended to report the results of this investigation Transport and Highways Board and the Capital Board. **(Issue 1)**

The Strategic Transport Programme Manager advised that TfL rejected the Council's funding claims due to insufficient evidence provided by the Council to support the timesheet hours (of staff and contractors) recorded on projects (refer to Issue 1). No evidence was provided to Internal Audit in relation to this area and therefore assurance on the Council's the effectiveness of this area cannot be provided. **(Issue 2)**

Reconciliations of funds received and actual expenditure on projects partly/ wholly funded by TfL and monitoring of the budget vs the actual spend for such projects was completed on an annual basis by the Council. However, the Head of Finance, the Director of Planning and Sustainable Regeneration and the Strategic Transport Programme Manager explained that there were staffing issues within the Strategic Transport Team which meant these activities were not undertaken frequently. **(Issue 3)**

Priority 2 Issues

The Council did not have any written policy and procedures to support the TfL Reclaims process. Furthermore, the Council did not have a defined project lifecycle which could align with TfL's recommended project lifecycle for projects funded by TfL. The Council's process operated on an ad-hoc basis by the Transport team (who make funding submissions to TfL, manage the TfL funded projects) and Finance Team (who calculates reclaim requests and submits them to TfL). **(Issue 4)**

Priority 3 issues are included under Section 4 below.

3. Actions and Key Findings/Rationale

Audit Area: Scheduling and Monitoring of Works

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1
1	<p>There has been work to address the issues identified and mitigate the related risk:</p> <ol style="list-style-type: none"> 1. Clearing of cost codes that are no longer in use to reduce the potential for miscoding. 2. Using a corporate project management system (Verito) to provide a source of common information on projects. 3. More regular reconciliation of information between the Confirm and Oracle systems. 4. Increased frequency of claims to TfL. 5. Securing increased staff resources to make sure programme and project management is properly resourced. <p>Going forward, other areas of work include:</p>	<p>Expected Control</p> <p>The Council’s funding data is accurate, and controls such as regular reviews of funding data, approval of transactions in place to ensure accuracy and completeness of such records are in place.</p> <p>Finding/ Issue</p> <p>The Head of Finance explained that members of the Strategic Transport team had identified several large, uncleared accruals while looking at expenditure to date for the Capital Board. We were not provided with details of these uncleared accruals as the figures were being reviewed at the time of the audit.</p> <p>A subsequent review of the uncleared accruals by staff within the Council’s Finance team identified further areas of concern, particularly around the accuracy of the data being reported to the Capital Board. The Council created a scoping document for the specific areas of concern which are listed below:</p> <ul style="list-style-type: none"> • Errors with cost codes within Confirm, the asset management system used by the Council; • Whether the data recorded within Confirm, which is manually translated into journals to be used as inputs for projects, was accurate and sufficient for project management. These journal postings were not subject to an approval process; • The existence of a large number of uncleared accruals of unknown value, which may not withstand scrutiny from auditors, and; • Whether timesheet entries recorded and used as a source of evidence for Capital Monitoring were sufficient, accurate, and evidencable.

	<p>6. Cost codes will be streamlined to reduce complexity and avoid miscoding.</p> <p>7. Developing an IT solution to allow automated reconciliation between the Confirm and Oracle systems.</p> <p>8 Keeping processes and systems under review to ensure that they are effective and fit for purpose.</p>	<p>An in-depth review of these areas was in progress within the Council and involved stakeholders from Finance, Highways and Strategic Transport Team. It was explained that the findings of this review would be reported to the Transport and Highways Board, and the Capital Board in due course.</p> <p>Risk</p> <p>The Council are unable to complete their submissions to TfL or TfL may reclaim the funds disbursed to the Council due to inaccuracies within data recorded by the Council. This may have a significant impact on the Council's financial position.</p>
Responsible Officer		Deadline
1. Head of Finance	1. Q1 20204/25	
2. Programme Manager	2. Ongoing	
3. Head of Finance,	3. Q1 2024/25 onwards	
Highways and Parking	4. Q1 2024/25 onwards	
Technical	5. Ongoing	
Manager,	6. Q1 20204/25	
Programme	7. Q3 2024/25	
Manager	8. Ongoing	
4. Head of Finance		
5. Highways and		
Parking		
Technical		

Manager, Interim Head of Strategic Transport		
6. Head of Finance, Programme Manager		
7. Head of Finance		
8. Head of Finance		

Audit Area: Calculation and Timeliness of Reclaims

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 2
1	<p>1. A system of checking and approving timesheets at programme level will be put in place (see response to Issue 3).</p> <p>2. Timesheets are not the only evidence TfL may require to back-up funding claims. TfL may wish to understand and request information on tasks undertaken, deliverables etc. Systems need to be / will be put in place so that those officers engaging with TfL at the programme level, can swiftly access any required information and engage confidently and knowledgeably with TfL. To this end, the use of a corporate project management system (Verto) will provide a source of common information on projects so that tasks can be effectively tracked.</p>	<p>Expected Control</p> <p>The Council records, reviews and retains sufficient information on timesheet hours recorded by staff and contractors to support reclaims.</p> <p>Finding/ Issue</p> <p>During the closing meeting, the Strategic Transport Programme Manager advised that there were examples of TfL rejecting the Council funding claims as a result of insufficient evidence to support the timesheet hours recorded on projects by the Council’s staff and contractors (see Issue 1).</p> <p>Evidence in relation to the above instances and to substantiate timesheet hours recorded on projects by Council staff was not provided and assurance on the Council’s controls in this area cannot be provided.</p> <p>Risk</p> <p>The Council does not record and retain sufficient information to support reclaims, resulting in rejection of reclaims by TfL. Any claim rejections from TfL will have a negative impact on the Council’s budget, and result in an overspend or delayed delivery of the project or put a hold on the project activities.</p>

Responsible Officer	Deadline	
1. Highways and Parking Technical Manager	1. Q1 2024/25 2. Ongoing	
2. Highways and Parking Technical Manager, Programme Manager		

Audit Area: Monthly Reconciliations

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 3						
1	<p>There has been work to address the issues identified and mitigate the related risk:</p> <ol style="list-style-type: none"> 1. More regular reconciliation of information between the Confirm and Oracle systems. 2. Increased frequency of claims to TfL. 3. Securing increased staff resources to make sure programme and project management is properly resourced. <p>Going forward, other areas of work include:</p> <ol style="list-style-type: none"> 4. Developing an IT solution to allow automated reconciliation between the Confirm and Oracle systems. 5. Keeping processes and systems under review to ensure that they are effective and fit for purpose. 	<p>Expected Control</p> <p>The Council carries out monthly reconciliations and budget monitoring activities including review of timesheets and other supporting documentation for TfL funded projects.</p> <p>Finding/Issue</p> <p>Reconciliations of funds received and actual expenditure on projects partly/ wholly funded by TfL and monitoring of the budget vs the actual spend for such projects including review of timesheets is done on an annual basis by the Council.</p> <p>Review of the Capital Programme 2021/22 Final Position for the Council noted that the last reconciliation of TfL funds for Year-To-Date (YTD) was performed in January 2022. the Head of Finance advised that monthly reconciliations of the Councils Capital Programme, including programmes partially funded by TfL had not been completed (at the time of audit in February 2023) since April 2022 due to short staffing within the Finance department. (Also refer to Issue 1 which highlights the anomalies identified by the Council in TfL funds received).</p> <p>The Director of Planning and Sustainable Regeneration and the Strategic Transport Programme Manager explained that budget monitoring of TfL funded projects was not completed monthly due to staffing issues within the Strategic Transport Team.</p> <p>Risk</p> <p>Annual reconciliations and monitoring of TfL funded budgets may result in inaccuracies, anomalies, potential of fraud instances which may have a financial and reputational impact on the Council.</p>						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #1a3d54; color: white;">Responsible Officer</th> <th style="background-color: #1a3d54; color: white;">Deadline</th> </tr> </thead> <tbody> <tr> <td>1. Head of Finance</td> <td>1. Q1 2024/25 onwards</td> </tr> <tr> <td>2. Highways and Parking Technical Manager,</td> <td>2. Ongoing</td> </tr> </tbody> </table>	Responsible Officer	Deadline	1. Head of Finance	1. Q1 2024/25 onwards	2. Highways and Parking Technical Manager,	2. Ongoing	
Responsible Officer	Deadline							
1. Head of Finance	1. Q1 2024/25 onwards							
2. Highways and Parking Technical Manager,	2. Ongoing							

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Interim Head of Strategic Transport	3. Q1 20204/25	
	4. Q3 2024/25	
3. Head of Finance, Programme Manager	5. Ongoing	
4. Head of Finance		
5. Head of Finance		

Audit Area: Legislative, Organisational and Management Requirements

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 4
2	<p>The 'Expected Control' will be implemented, and the roles and responsibilities included in the Service Level Agreement between the Strategic Transport Service and the Highways Service.</p> <p>The project stages 'Stage 1- Outcome definition, Stage 2- Option selection, Stage 3- Concept design, Stage 4- Detailed design, Stage 5- Delivery, Stage 6- Closure and Benefits Realisation' form / are reflected in the 6 project gateways governed by the Transport and Highways Board.</p>	<p>Expected Control</p> <p>The Council has a written policy and procedure documents in place to support the TfL Reclaims process. These policies and procedures include the roles and responsibilities, the timescales of making funding requests and receipt of funds and the authorisation process of funding requests and reclaims. The policy and procedures are be approved by the appropriate authority. The Council documents the project lifecycle and consider TfL's recommended project lifecycle for projects funded by TfL. The Council communicates the project lifecycle on TfL funded projects to TfL.</p> <p>Finding/ Issue</p> <p>Discussion with the Head of Finance identified that the Council did not have any written policy and procedure documents to support the TfL Reclaims process. At present, the process operated an ad-hoc basis between the Transport team (who make funding submissions to TfL) and Finance Team (who calculate reclaim requests and submit these).</p> <p>Furthermore, the Council did not have a documented project lifecycle for the projects funded by TfL. The Council's project lifecycle as explained by the Strategic Transport Programme Manager was not aligned with the project lifecycle recommended by TfL along with timelines for each stage within the lifecycle. The stages include Stage 1- Outcome definition, Stage 2- Option selection, Stage 3- Concept design, Stage 4- Detailed design, Stage 5- Delivery, Stage 6- Closure and Benefits Realisation.</p> <p>The Head of Finance advised that the Council will be creating financial policy and procedure documents for the Council by 2023-24 which will include the TfL Reclaims process.</p> <p>Risk</p>

Responsible Officer	Deadline	
Interim Head of Strategic Support	Q2 2024/25	Lack of policies and procedures can lead to ineffective project management, untimely completion of reclaim submissions, a lack of clarity regarding roles and responsibilities and missed funding opportunities. Unalignment of the Councils and TfL expectations of progress due to differences in project lifecycles can lead to confusion around expectations on deliverables and loss of funding due to a lack of progress as expected.

4. Priority 3 Findings

Agreed action	Findings
<p>Audit Area: Legislative, Organisational and Management Requirements</p> <p><u>Action proposed by management:</u></p> <ol style="list-style-type: none"> 1. The original SLA has been reviewed to reflect changes to structures and personnel since 2020. It has been trialled and refined through a process of test application following the establishment of the Transport and Highways Board, with a view to being agreed by the Board in the early part of the 2024/25 financial year. 2. Once implemented, the SLA needs to be kept under review to ensure that the relationship it sets out and governs, is the optimum relationship and mechanism for delivering the LIP Programme. 3. Alongside this, there is ongoing work ensure that each Service is resourced and structured appropriately to be able to meet its commitments under the SLA. <p><u>Responsible Officer:</u></p> <ol style="list-style-type: none"> 1. Interim Head of Strategic Transport 2. Transport and Highways Board 	<p>Expected Control</p> <p>Service Level Agreement between the Strategic Transport Service and the Highways Service should be formally agreed.</p> <p>Finding/ Issue</p> <p>Review of Service Level Agreement dated March 2020 between the Strategic Transport Service, and the Highways Service was unable to confirm that this had been formally agreed.</p> <p>Risk</p> <p>Unsigned agreements or governance measures may lead to disagreement and lack of clarity over roles and responsibilities between both teams.</p>

Agreed action	Findings
<p>3. Transport and Highways Board</p> <p>Deadline:</p> <ol style="list-style-type: none"> 1. Q2 2024/25 2. Ongoing 3. Ongoing 	
<p>Audit Area: Financial and Management Reporting</p> <p>Action proposed by management:</p> <p>There has been work to address the issues identified and mitigate the related risk:</p> <ol style="list-style-type: none"> 1. Using a corporate project management system (Verto) to provide a source of common information on projects. 2. Securing increased staff resources to make sure programme and project management is properly resourced. 3. Development of an overview report for the Council’s Transport and Highways Board with exception reporting to improve clarity for senior managers. <p>Responsible Officer:</p> <ol style="list-style-type: none"> 1. Programme Manager 2. Transport and Highways Board 	<p>Expected Control</p> <p>Regular Project Highlight Reports should be provided to the Transport and Highways Board.</p> <p>Finding/ Issue</p> <p>The Strategic Transport Team produces Project Highlight Reports which provides details such as progress tracking against key milestones of the project along with RAG rating of each milestone based on the progress, key decisions and outcomes, risks/ issues and mitigating actions against such risks. These reports are shared with the Transport and Highways Board.</p> <p>A review of a sample of 10 Project Highlight Reports between April to January 2023 identified that:</p> <ul style="list-style-type: none"> • In one report, the section on actual spend to date was incomplete; and • Two reports were not signed by the relevant authority. <p>We further observed that explanations on providing RAG ratings to reflect the progress against each milestone was not captured in such reports and thus the ratings provided in the report could not identify if the progress of the project was on track or not.</p> <p>Risk</p>

Agreed action	Findings
<p>3. Programme Manager</p> <p>Deadline:</p> <ol style="list-style-type: none"> 1. Ongoing 2. Ongoing 3. Complete. First report presented at the March 2024 Transport and Highways Board. 	<p>If progress reports of the project are incomplete, the progress may not be communicated appropriately to the senior management, and this may lead to lack of clarity on the project by senior management and poor decision making.</p>
<p>Audit Area: Calculation and Timeliness of Reclaims</p> <p>Action proposed by management:</p> <p>The issue has lessened now that TfL is again providing full year funding allocations (albeit with funding much below pre-covid levels). The TfL process still does not allow the Expected Control: <i>'The Council's budgets should be set within defined timeframes, these timeframes should include time for review and approval by each stakeholder or committee'</i>. The Head of Strategic Transport (along with equivalents from other London local authorities) works via LoTAGs Strategic Transport Forum <u>London Technical Advisers Group (LoTAG) Strategic Transport Forum – LGTAG</u> to influence and improve the TfL funding process.</p>	<p>Expected Control</p> <p>The Council's budgets should be set within defined timeframes, these timeframes should include time for review and approval by each stakeholder or committee.</p> <p>Finding/ Issue</p> <p>Review of the 'Local Implementation Plan Healthy Streets Funding 2022-23 to 2024-25', which was presented to the Cabinet on 25 January 2023, noted that TfL funding since the Covid-19 pandemic had been irregular, with TfL ceasing to provide LIP funding in May 2020 and instead funded the Mayor of London's Covid-19 Pandemic related Streetspace Plan for London and central government's Active Travel priorities. TfL reinstated funding for a short period before ceasing it again in May 2021. Furthermore, the receipt of funds based on funding submissions made by the Council in January 2022 were delayed due to funding arrangements between TfL and DfT not being agreed. A long-term funding settlement between DfT and TfL was announced in Parliament on 5 September 2022.³</p> <p>The 2022/23 annual budget for projects funded by TfL was subsequently sent to Cabinet in October 2022 for approval and was finalised in December 2022, nine</p>

³ [TfL long term funding settlement - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

Agreed action	Findings
<p><u>Responsible Officer:</u> Interim Head of Strategic Transport</p> <p><u>Deadline:</u> Ongoing</p>	<p>months after the start of the financial year. It was explained that this resulted in delays in receiving approval for the funds from TfL.</p> <p>Risk</p> <p>Delays in budget setting/ receiving funding leads to a lack of clarity regarding funds available for project completion, and delays in carrying out work on projects which may lead to financial loss to the Council.</p>

AUDIT TERMS OF REFERENCE

TfL Reclaims

1. INTRODUCTION

- 1.1 Croydon Council developed an Infrastructure Delivery Plan in 2021 which aimed to identify the borough's infrastructure requirements (including social, physical and green infrastructure) and demonstrates how infrastructure will support the development and growth set out in the Local Plan for the next 20 years. The Strategic Transport Service is responsible for developing transport policy and translating local priorities, regional policies and external funding into delivery plans and programmes.
- 1.2 The Service is currently focussed on delivering the London Streetspace Plan programme and undertakes the following:
- Develops the Plan and associated programme to implement the Mayor's Transport Strategy within Croydon (The Local Implementation Plan (LIP));
 - Provides transport advice to the planning authority on development plan and master plan making and advises the Development Management Service and Planning Committee(s) on the transport implications of development proposals;
 - Bids for funds through the LIP, drawing funding from TfL, CIL, S106 and the Capital Programme to improve transport and infrastructure in Croydon; and
 - Runs a programme to deliver electric vehicle charging points and encourage the take-up of electric vehicles.
- 1.3 In respect of TfL, LIP funding is the process through which TfL provide boroughs with financial support. The funding is for schemes to improve their transport networks in a way that is consistent with and supports the Mayor's Transport Strategy and London's recovery, such as more walking, cycling and use of public transport through more reliable journeys.
- 1.4 Each year, London boroughs must submit a LIP annual spending submission with specific details of individual schemes they want to take forward. At the end of the financial year, each borough must submit a report on how they have delivered a range of priorities such as cycle parking, 20 mph zones and pedestrian crossings.
- 1.5 TfL confirms via e-mail the year-end financial requirements, including matters relating to claims and Value of Works Done (VOWD), together with key dates for year-end business. Boroughs must ensure that VOWD reported on the Portal is accurate and that the scope of work is in accordance with the LIP guidance.
- 1.6 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.

3. SCOPE





3.1 The audit included the following areas (and a number of recommendations made):

Audit Area	Identified Issues		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational and Management Requirements	0	1	1
Scheduling and Monitoring of Works (timeliness of spend in line with LIP submission)	1	0	0
Monthly Reconciliations	1	0	0
Calculation of Reclaims and Timeliness of Reclaims from TfL	1	0	1
Financial and Management Reporting	0	0	1
Totals	3	1	3

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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