

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager **SUBJECT:** Shared Legal Services
TO: Deputy Chief Executive (AJ) **DATE:** 26 July 2020
C.C. Chief Executive (CE)
Head of Finance (MS)
Portfolio Holder (Cllr AD)

1 Introduction

- 1.1 In accordance with the Audit Plan for 2020/21, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. The review was undertaken by Nathan Leng, Internal Auditor. This topic was last audited in July 2017.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 The arrangements for the provision of a Shared Legal Service between Warwick District Council (the Council) and Warwickshire County Council (WCC) first came into effect in March 2010 for a period of three years ending in March 2013. It was renewed for a further four years ending in March 2017.
- 2.2 With approval of the Executive, a new 5-year agreement was entered into with effect from April 2017.
- 2.3 The Service consists of a single in-house team, based at WCC, with the aims of improving resilience, maintaining sufficient capacity through fluctuations in demand and reducing reliance on external resources to the benefit of both parties.
- 2.4 The management of the agreement at the Council is undertaken by one of the Deputy Chief Executives (DCE), whose full job title is Deputy Chief Executive, Monitoring Officer and Legal Client Manager.

3 Scope and Objectives of the Audit

- 3.1 The purpose of the audit was to ensure that the Council has appropriate controls in place to secure economic, efficient and effective delivery of legal services under the shared services agreement with WCC.
- 3.2 In terms of scope, the audit covered the following areas (overleaf):

- Commissioning
- Resourcing
- Contract monitoring

3.3 Contract Agreement was not investigated as this was covered in the previous audit and the contract is still in place.

3.4 The control objectives examined were:

- Staff understand the procedure for commissioning work through the service.
- Management are able to measure the level of work commissioned from the service.
- Work is appropriately commissioned from the service.
- Both councils can plan for anticipated levels of work to be placed through the agreement.
- Budget variances are limited as the budgets are set appropriately in line with known areas of income and expenditure.
- The Council is aware of any potential budget variances.
- Payments are valid and accurate and processed in accordance with the appropriate conditions of the contract/agreement.
- Work is undertaken to agreed standards.
- Management are aware of issues encountered with the work performed under the agreement.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 The current position in respect of the recommendations from the audit reported in August 2017 is as follows:

Recommendation	Management Response	Current Status
1 The user guide should be updated to provide accurate, up to date information and be rolled out to relevant staff.	Agreed. This will be updated and staff made aware of its refresh.	The current user guide contains several inaccuracies, some of which were identified in the previous audit. There is also an out of date user guide on the CMT page on the Intranet.

Recommendation	Management Response	Current Status
<p>2 SMT should be asked to review the list of authorised commissioning officers to ascertain whether it is still relevant for their departments, and the list should be subsequently updated as necessary.</p>	<p>Agreed. The DCE will liaise with SMT colleagues to ensure commissioning officers are current.</p>	<p>The authorised commissioning officer list contains errors highlighted in the previous audit. Since the last audit, further staffing changes have occurred and are not reflected in the current list.</p> <p>The Intranet user guide has not been updated, and the staffing list remains unchanged.</p> <p>An out-of-date copy of the list was also provided to WCC for the latest version of user guide.</p>
<p>3 Budget managers should be reminded of the need to set accurate budgets based on available information.</p>	<p>Agreed. This will be raised at budget review meetings.</p>	<p>Confirmed that managers are reminded of the need to set accurate budgets. However, setting budgets is still considered difficult due to the reactive nature of the majority of legal work.</p>
<p>4 The monthly coding spreadsheets supplied by Legal Services, should be made available to all relevant (commissioning) staff.</p>	<p>Agreed. The DCE will liaise with SMT colleagues to ensure they know how such information can be assessed.</p>	<p>There is evidence that some cost centre managers do not know how to locate monthly coding spreadsheets.</p>

4.2 Commissioning

- 4.2.1 There is a user guide in place that is available to all staff via the Intranet homepage. This contains details of how the service should be used. Upon review, it was evident that the document contains some inaccuracies.
- 4.2.2 The user guide is also available on the Corporate Management Team (CMT) page. Upon review, it was evident that this document is an older version of that available on the Intranet home page. Both versions of the user guide feature an outdated list of authorised officers and details of staff who no longer work for Legal Services.
- 4.2.3 During this audit, a new draft of the user guide was in development. In January 2020, the list of authorised officers was confirmed by the Council and sent to WCC. Upon review of the new draft user guide, it was evident that the authorised officers list still contains inaccuracies.

Risk

Staff may not use the service correctly.

Recommendation

The user guide should be updated to provide accurate, up-to-date information and should be rolled out to relevant staff.

- 4.2.4 The Corporate Legal Services Manager (CLS) confirmed that the authorised commissioning officer list is updated on average once per year. However, this is an ad-hoc task and may be completed more or less frequently as needed.
- 4.2.5 Details of changes are exchanged between the CLS and the client manager for the Council and subsequently distributed to the relevant personnel.
- 4.2.6 The previous audit recommended SMT review the list of authorised commissioning officers and update as necessary. The DCE agreed to liaise with SMT to ensure commissioning officers are current.
- 4.2.7 Since the last audit, further staffing changes have occurred and are not reflected in the current list. There are also examples of inaccuracies flagged in the previous audit which have not been updated.

Risk

Relevant officers may not be able to use the service.

Recommendation

The procedure for updating the authorised commissioning officer list should be reviewed and the list updated.

- 4.2.8 A review of the expenditure against the relevant TOTAL subjective code was undertaken to identify which cost centres had spent the most on Legal Services during 2019/20.
- 4.2.9 Discussions were held with the managers of cost centres with legal service expenditure exceeding £20,000 to identify how the works had been commissioned.
- 4.2.10 It was identified that there is no standard arrangement for commissioning work. Service areas have their own preferred methods of commissioning work, including emails, phone calls and discussions during the weekly surgeries.
- 4.2.11 The commissioning officers are generally aware of who they need to contact to commission work through the Service. However, the majority of officers are not personally involved in the appointment of the case handler.
- 4.2.12 The majority of cost centre managers are satisfied with their ability to commission work through the Service. However, several highlighted minor responsiveness issues.

- 4.2.13 The Tenancy Manager reported significant responsiveness issues due to the locum solicitor for housing working part-time.
- 4.2.14 The Developmental Services Manager noted that they have had to repeatedly chase work. Upon review, the CLS clarified that this was likely an isolated incident caused by technical difficulties and does not require further attention.

Risk

Time-sensitive requests may not be received or acted upon within the required time-frame.

Recommendation

The level of service should be reviewed to ensure requests are dealt with promptly and efficiently.

4.3 Resourcing

- 4.3.1 An annual order of £650,000 was set to cover all of the work for the year 2019/20.
- 4.3.2 The current financial spend and monthly financial reports are discussed during Shared Legal Agreement (SLA) meetings. Discussions include the costs for individual services, the costs of specific projects and the annual charge sheet for legal work. These discussions inform the planning for anticipated levels of work placed through the agreement.
- 4.3.3 The main Legal Services cost centre on TOTAL (4871) does not include a budgeted figure, as the costs are recharged to the individual services, thus leaving a zero balance.
- 4.3.4 Budgets are included within individual cost centres and these were reviewed to ascertain whether they reflected previous expenditure levels or anticipated costs.
- 4.3.5 Budget managers make written requests for additional budgets in situations where the current budget is insufficient. Requests are sent to the relevant Assistant Accountant (AA) who informs SMT of the proposed changes.
- 4.3.6 26 (19%) of the 135 cost centres that used the Service had a variance of more than £5K between the budget and the outturn for 2019/20 (excluding disbursement codes). Of these, 21 (80%) saw their budgets amended to reflect the increasing costs.
- 4.3.7 It is acknowledged that it can be difficult to predict usage due to the reactive nature of the Service. The figures above demonstrate that, although there are some significant variances, the Council are responsive and amend the budgets in the majority of cases.

Risk

Inaccurate budgets may provide misleading information to other users of the figures.

Recommendation

Budget managers should be reminded of the need to set accurate budgets based on available information.

- 4.3.8 The DCE confirmed that the procedure for reviewing expenditure includes analysing the monthly Legal Service charge list. These are gone through in detail and any issues raised with the SMT.
- 4.3.9 The AA conducts a monthly review of Legal Service expenditure and emails a copy to the SMT. The review sets out the overall position for both the time charges and disbursements, broken down by both service and cost centre along with predictions for expected outturn based on a straight pro-rata of spend.
- 4.3.10 The individual cost centre budgets have not been assessed as they are generally covered in the audits for each service.
- 4.3.11 It was recommended in the previous audit that the monthly coding spreadsheets received from Legal Services show a job code for each charge and it was suggested that it would be helpful if these could be shared.
- 4.3.12 Discussions with the cost centre managers revealed that many do not have access to the monthly charge spreadsheets.

Risk

Managers may be unable to properly control their expenditure.

Recommendation

The monthly coding spreadsheets, supplied by Legal Services, should be made available to all relevant (commissioning) staff.

- 4.3.13 Legal Services provide monthly spreadsheets of charges for legal work for that period. These spreadsheets detail the charge fee, the name of the fee earner, the amount of time spent on the task and a description of the work undertaken.
- 4.3.14 The AA ensures that the amount stated on the monthly spreadsheets matches the amount requested in the invoice before making any payments. Warwick District Council accountants are asked to check the cost centre coding on the monthly recharge spreadsheets and update the charge codes as appropriate. Amended codes are highlighted yellow. The AA notifies WCC of new charge codes so they can update their database.

4.3.15 When the accountants are unsure of the correct code, the AA requests the client contact details from WCC and clarifies the code with the budget manager.

4.4 **Contract Monitoring**

4.4.1 Meetings are generally held on a quarterly basis between the DCE and the CLS. Notes from the meetings were provided and it was confirmed that performance issues had been covered at most meetings to some extent.

4.4.2 The DCE and CLS also communicate on an ad-hoc basis to discuss issues and changes as they emerge.

4.4.3 There are four methods employed in the monitoring of performance for the service:

- 1) Complaints raised during or after the provision of service are discussed during the next SLA meeting.
- 2) Client satisfaction surveys are sent out after each job. Any issues identified in these are discussed during the SLA meetings. Responses are not monitored.
- 3) The Legal Client Manager conducts ad-hoc satisfaction queries from cost centres with issues discussed at SLA meetings.
- 4) WCC circulate a questionnaire in the lead up to the SLA renewal/retendering to gauge overall satisfaction in the provision of the legal service.

5 **Conclusions**

5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of the Shared Legal Services are appropriate and are working effectively.

5.2 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

5.3 A number of minor issues were, however, identified:

- The user guide and associated documents need to be updated and rolled out to relevant staff.
- The procedure for updating the authorised commissioning officer list needs to be reviewed and the list updated.
- There are some issues with responsiveness that should be addressed.

- The monthly coding spreadsheets detailing the costs of the service broken down by job code are not shared with the commissioning cost centre managers.

6 **Management Action**

- 6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Shared Legal Services – July 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.3	The user guide should be updated to provide accurate, up-to-date information and should be rolled out to relevant staff.	Staff may not use the service correctly.	LOW	Deputy Chief Executive (AJ)	The guide has been updated on a number of occasions and posted on the intranet for staff viewing. Further relevant changes will be made.	1 Sept 2020
4.2.7	The procedure for updating the authorised commissioning officers list should be reviewed and the list updated.	Relevant officers may not be able to use the service.	LOW	Deputy Chief Executive (AJ)	The list has been updated on a number of occasions and will be reviewed again to make sure it is up to date.	1 Sept 2020
4.2.14	The level of service should be reviewed to ensure requests are dealt with promptly and efficiently.	Time-sensitive requests may not be received or acted upon within the required time-frame.	LOW	Deputy Chief Executive (AJ)	Given the many hundreds of instructions that are made through the course of the year, I consider this to be a rarity with no service review necessary.	N/A
4.3.7	Budget managers should be reminded of the need to set accurate budgets based on available information.	Inaccurate budgets may provide misleading information to other users of the figures.	LOW	Deputy Chief Executive (AJ)	As acknowledged, it is very difficult to predict precise budgets at the beginning of the year. Variances are monitored on an ongoing basis and this process will continue.	N/A

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.12	The monthly coding spreadsheets, supplied by Legal Services, should be made available to all relevant (commissioning) staff.	Managers may be unable to properly control their expenditure.	LOW	Deputy Chief Executive (AJ)	Agreed. I will speak with the relevant finance officer so we can disseminate the relevant information.	1 Sept 2020

* Risk Ratings are defined as follows:

- High Risk: Issue of significant importance requiring urgent attention.
- Medium Risk: Issue of moderate importance requiring prompt attention.
- Low Risk: Issue of minor importance requiring attention.