

Final Internal Audit Report

Telephony Procurement: Pre-tender Processes

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Assurance Level	Issues Identified	
Full Assurance*	Priority 1	0
	Priority 2	0
	Priority 3	0

* It should be noted that this audit had a narrow scope and only focused on those aspects considered flawed by current users in the previous telephony contract.

Confidentiality and Disclosure Clause

This report ("Report") was prepared by 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.

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

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. Croydon Council have determined that the telephony system in use in the Council is no longer fit for purpose and does not allow for rapid active changes to deal with unexpected situations.
- 1.2. The existing telephony system (Cisco Call Manager) has been in use for over 10 years and beyond the supplier's End of Life date (31 Dec 2018) and is no longer supported by the manufacturer (Cisco). Hardware is difficult to replace and there are no longer any software support releases from Cisco.
- 1.3. A 'Telephony Solution Procurement Strategy' report seeking approval to procure a new telephony system with an estimated value of £3.5m was approved by the Council Contracts and Commissioning Board (CCB) on 25 May 2021.
- 1.4. It should be noted that this audit had a narrow scope and focused on those aspects considered flawed by current users in the previous contract process, including end-user consultation and involvement in determining the statement of requirements, informing of the contract packaging by reference to this, and subsequently identifying options for the contract strategy within the business case.
- 1.5. The fieldwork for this review was completed remotely during the government measures put in place in response to COVID-19.
- 1.6. This audit was undertaken as part of the agreed Internal Audit Plan for 2020/21.

2. Key Issues

- 2.1. We confirmed that the procurement was identifiably linked to achieving the Council's and/or Service's objectives and that this was documented.
- 2.2. A strategic outline case (draft outline business case) was produced that clearly laid out the justification for funding the procurement project and that it provided different options that could be considered.
- 2.3. We confirmed that a Predictive Equality Impact Assessment was undertaken to scrutinise the future potential impact of the procurement's benefits and its likely effect on different groups to ensure that it did not result in unlawful discrimination
- 2.4. We confirmed that the contract packaging was carefully considered in order to obtain the optimum combination of quality and value for money and what would be attractive to the market. The Council conducted soft market testing with five known telephony suppliers to ascertain what technology was available on the market. The five suppliers were identified through a G-cloud framework filter based research using high level requirements for telephony, contact centre and IVR functionality.
- 2.5. We confirmed that the contract packaging was informed in consultation with a sample of core / high telephony users via a number of workshops to ascertain

their opinions of the telephony system currently in place, and how they would like to be able to operate in future.

- 2.6. We confirmed that an appropriate procurement project board structure (Telephony Strategy and Procurement Project Steering Group) was put in place and all roles and responsibilities were defined and individuals allocated to them.
- 2.7. We confirmed that value management was considered through options appraisal of procurement strategies (routes); and the procurement was authorised to proceed to tender in accordance with the scheme of delegation.

AUDIT TERMS OF REFERENCE

Telephony Procurement

1. INTRODUCTION

- 1.1 The telephony system in Croydon Council is no longer fit for purpose and does not allow for rapid active changes to deal with unexpected situations.
- 1.2 The existing Cisco Telephony and Verint IVR environment has been in use for over five years and has been at end of life and in part unsupported now for at least the last couple of years. The impact of this, is that support has been on a best endeavours basis with resultant failures causing business impact on a frequent basis.
- 1.3 The current IVR system technology has failed many times over the few years and needs to be replaced. A short contract extension with Capita IETS Limited was entered into on the 1st August 2020 for a 6-month period for the current IVR but this was due to expire on the 31st January 2021. *Source: Draft Outline Business Case Telephony and IVR Procurement*
- 1.4 A Commissioning & Procurement Strategy Report seeking approval to procure a new council telephony system was presented to Resources DLT on 16th March 2021. It is scheduled to be presented to the Contracts and Commissioning Board (CCB) on 25th March 2021. *Source: Email dated 16th March 2021 and Draft Telephony Solution Procurement Strategy Report*
- 1.5 This audit is being undertaken as part of the agreed Internal Audit Plan for 2020/21.

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

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Gateways 1 and 2 - Pre-project Strategic Assessment and Business Justification (Strategic Outline Case)	0	0	0
Contract Strategy	0	0	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.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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