

# Final Internal Audit Report

## Third Party Support/Service Delivery

### December 2018

**Distribution:** Executive Director Resources (Final only)  
 Chief Digital Officer  
 Interim Head of ICT  
 ICT Services & Contracts Manager  
 ICT Sourcing Relationship Manager  
 Programme Manager  
 ICT Sourcing Relationship Manager

Assurance Level	Recommendations Made	
<b>Substantial Assurance</b>	Priority 1	0
	Priority 2	1
	Priority 3	0

#### 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.

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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 The Council's is in the process of revising its contract governance process and is looking at segregating some of the service provided by its major third party service providers. A Good to Great Programme was developed as a result, during the first quarter of 2018 to manage the effectiveness the process.
- 1.2 The Council is keen for assurance over how the IT services contracted out to Capita and to other third party service providers are managed effectively (what contracts they have, with who, for what, how the contract is managed, measured and reported, does the provider give assurances).
- 1.3 This audit was undertaken as part of the agreed Internal Audit Plan for 2018/19.

**2. Key Issues**

No priority 1 issues were identified

**Priority 2 Issues**

An IT Contract Register is in place in the form of an excel spreadsheet maintained on SharePoint, which is managed and updated by the Council's ICT Team. However, the Register does not contain all the IT related contracts at the Council. This is due to the lack of a centralised contract management system to ensure a central recording and monitoring of contracts, **(Issue 1)**.

No Priority 3 issues were identified.

### 3. Actions and Key Findings/Rationale

<b>Control Area 1: Contract Register - centralised contract management system.</b>	
<b>Priority</b>	<b>Action Proposed by Management</b>
2	<p>We disagree with the priority 2 finding.</p> <p>There is a centralised procurement process and the rules are the same for IT as everyone else.</p> <p>The Council is in the process of acquiring and implementing a contract management module, which will hold a central record of contracts. New contracts tendered using the central procurement solution will automatically populate a contract register. The new contract management module will not directly remediate historical gaps in contract information and work is going on to fill those gaps.</p> <p>This information was passed to the auditor.</p>
	<p><b>Detailed Finding/Rationale – Issue 1</b></p> <p>In order to help ensure that all contracts are appropriately procured and managed, these should be procured centrally and a central contract management system maintained, that mandates staff to record the details of all contracts in one system, such as the details of the service provider, contract description, contract owner, contract expiry and service level status.</p> <p>An IT Contract Register is in place in the form of an excel spreadsheet maintained on SharePoint, which is managed and updated by the Council's ICT Team. However, the Register does not contain all the IT related contracts at the Council. This is due to the lack of a centralised contract management system to ensure central recording and monitoring of contracts.</p> <p>The lack of a centralised contract management system makes it difficult for the Council to maintain a complete record of all IT related contracts and to monitor the validity of contracts and their respective agreed service levels.</p>
<b>Responsible officer</b>	<b>Deadline</b>
Interim Head of ICT	31 March 2019

## **TERMS OF REFERENCE**

### **Third Party Support / Service Delivery**

#### **1. INTRODUCTION AND BACKGROUND**

- 1.1 The Council's is in the process of revising its contract governance process and is looking at segregating some of the service provided by its major third party service providers. A Good to Great Programme was developed as a result, during the first quarter of 2018 to manage the effectiveness the process.
- 1.2 The Council is keen for assurance over how the IT services contracted out to Capita and to other third party service providers are managed effectively (what contracts they have, with who, for what, how the contract is managed, measured and reported, does the provider give assurances).
- 1.3 This audit is being undertaken as part of the agreed Internal Audit Plan for 2018/19.





#### **2. OBJECTIVES AND METHODOLOGY**

- 2.1 The overall audit objective of this audit is to provide an objective independent opinion on the adequacy and effectiveness of the control environment with regards to Third Party Support.
- 2.2 In order to achieve the overall objectives, a risk based systems audit approach will be carried out, documenting and evaluating the actual controls against those expected and based on this, undertaking appropriate audit testing.
- 2.3 The key findings, conclusions, and subsequent recommendations arising will be discussed with management at an exit meeting, followed by the circulation of a draft report for consideration, prior to agreement and issue of the final audit report.

## DEFINITIONS FOR AUDIT OPINIONS AND RECOMMENDATIONS

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 consistently 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 which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to recommendations are based on the following criteria:

<b>Priority 1 (High)</b>	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
<b>Priority 2 (Medium)</b>	Control weakness that represent an exposure to risk and require timely action.
<b>Priority 3 (Low)</b>	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

## 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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