

Final Internal Audit Report

ICT – CAPITA Contract

June 2018

Distribution:

- Executive Director of Resources (Final only)
- Head of ICT and Transformation
- ICT Sourcing Relationship Manager
- ICT Services and Contract Manager
- ICT Commercial and Performance Officer Role
- ICT Business Partner Manager

Assurance Level	Recommendations Made	
Limited Assurance	Priority 1	1
	Priority 2	0
	Priority 3	0

Status of Our Reports

This report ("Report") was prepared by Mazars Public Sector Internal Audit Ltd 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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Executive Summary

1. Introduction

- 1.1 The London Borough of Croydon is currently in a contract with Capita to provide the Council's main ICT services. The contract is worth approximately £63 million over its ten year lifetime, which started in 2013.
- 1.2 Capita is contracted to provide Milestone deliverables, which were due during the initial stages of the contract. Further to this, Capita provide Core services each month, as well as additional orders, which are processed via Contract Change Notices (CCNs). Core services are worth just below £400k per month.
- 1.3 Due to the significance of the service and contract value, it is imperative that the Council is obtaining value for money and effective delivery of the contracted services.
- 1.4 The audit was undertaken as part of the agreed Internal Audit plan for 2017/2018.

2. Key Issues

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Priority 1 Issue

Copies of a sample of change requests (CCNs) and corresponding Initial Impact Assessments (IIAs) and, where appropriate, approved Change Authorisation Notes were requested, but have not been provided. Furthermore, the CCN tracker was incomplete. **(Issue 1)**.

3. Actions and Key Findings/Rationale

<u>Control Area 4: Additional Orders</u>		Detailed Finding/Rational – Issue 1
Priority	Action Proposed by Management	
1	<p>A formal review of the CCN process has now been completed and has resulted in the following actions taking:</p> <ol style="list-style-type: none"> 1. Review and modify CCN process. – Completed. 2. Update CCN process documentation. Revised process updated on central One Note FAQ repository. Completed. 3. Stakeholder Communication Sessions held to remind key stakeholders of the CCN process and the location of the One Note FAQs, incl links to SharePoint library and Tracker xls. Collaboration with PM team about CCNs so pipeline better understood and managed. – Completed. 4. Improve Triage. Ensure all CCNs are reviewed by ICT before they are sent to Capita. Ensure all CCN responses from Capita are reviewed by the commercials team. – Completed. 5. Monthly Tracker Review. Schedule a monthly review to double check tracker has all relevant fields updated, and documents on SharePoint are accurate. – To be completed June 2018. 	<p>The 'ICT Infrastructure Management Services Agreement' Schedule 8.2 details the 'Change Control Procedure'. This states that for each change request (CCN) issued by the Council, the contractor will provide an Initial Impact Assessment (IIA), which provides sufficient detail to assess the merits of the change and an estimate of the resources needs in time and cost. In some cases, a Final Impact Assessment (FIA) will be drafted. If agreed, an appropriate Change Authorisation Note will be signed by both parties as agreed. The Schedule also specifies that Capita respond to CCNs within 5 working days (unless clarifications are required) and that the Council has 15 working days from receipt of the IIA to agree it.</p> <p>It was established that the Council maintains a CCN tracker to monitor the progress of change requests. Examination of the CCN tracker and the 58 CCNs issued since 1 April 2017 established that this was not always appropriately completed, for example: For CCN00391, although the tracking notes detailed that an IIA had been received, the IIA cost column had not been completed. A number of other similar omissions were noted.</p> <p>A sample of CCNs was selected and copies of the CCNs, IIAs and, where appropriate, approved Change Authorisation Notes were requested, but had not been provided. (This was for the CCNs 383, 408, 410, 417 and 432.)</p> <p>Where the CCN trackers are not properly filled in and where copies of CCNs, IIAs (and FIAs) and Change Authorisation Notes are not held, there is a risk that the Council is not able to effectively monitor the subsequent costs of these CCNs and that, where necessary, the Council is unable to dispute the changes or costs of these.</p>
Responsible officer	Deadline	
ICT Business Partner Manager	End of June 2018	

TERMS OF REFERENCE

ICT Client Team – Financial Contract Administration

1. INTRODUCTION AND BACKGROUND

- 1.1 The Council's main ICT contract is with Capita and is worth approximately £63 million. The Contract was entered into in 2013 and is due to finish in 2023, with a break clause in 2019 where the Council can partly walk away with no financial penalty.
- 1.2 Capita provides services such as the service desk, repair of laptops, infrastructure, corporate applications, telephones etc.
- 1.3 Additional works can be undertake in the form of Contract Change Notices (CCNs). This is additional works or services that the Council requires and will normally be chargeable. An 'Initial Impact Assessment' will be undertaken by Capita at a fee, the Council will set out its requirements and Capita will reply to the Council within five days with one of two results. Either it is possible, or a cost for the service will be provided or more detailed work and a 'Full Impact Assessment' will be required which Capita will undertake within 20 days. This will incur an additional fee if Croydon wishes to obtain the quote.
- 1.4 Where Capita is unable to perform its agreed services as set out in the initial contract, Croydon can apply a 15% charge per month on the monthly fee.
- 1.5 This audit is being undertaken as part of the Internal Audit Plan for 2017/18.

2. OBJECTIVES AND METHODOLOGY

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of the control environment relating to the ICT Client Team – Financial Contract Administration of the ICT Contracts.
- 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 testing conducted.
- 2.3 The key findings and conclusions arising will be presented at an exit meeting followed by the circulation of a draft report for consideration by management, prior to agreement and issue of the final audit report.
- 2.4 The audit will aim to provide management with any good practice guidance arising that could be used on similar contracts.
- 2.5 System testing will be limited to how information is obtained and communicated.

3. SCOPE





3.1 The audit included the following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Regulatory, Organisational and Management requirements	0	0	0
Contract Performance Monitoring	0	0	0
Contract Variations	0	0	0
Additional Orders	1	0	0
Contract Payments	0	0	0
Budget Monitoring	0	0	0
Total	1	0	0

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:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	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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