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Internal Audit Report 2016/17

Partnerships

*Hinckley & Bosworth
Borough Council*

January 2017

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Contents

Executive summary

1



Current year findings

2



Appendices

- A. Basis of our classifications
- B. Terms of reference
- C. Limitations and responsibilities

Distribution list

For action: Mike Dungey, Interim ICT Manager

For information: Ashley Wilson, Section 151 Officer
Audit Committee



Executive summary (1 of 4)

Report classification

**Low Risk
(1 point)**



Trend

A review of this nature has not been performed in previous years

Total number of findings

| | Critical | High | Medium | Low | Advisory |
|-------------------------|----------|------|--------|----------|----------|
| Control design | - | - | - | 1 | - |
| Operating effectiveness | - | - | - | - | - |
| Total | - | - | - | 1 | - |

Executive summary (2 of 4)



Headlines/summary of findings

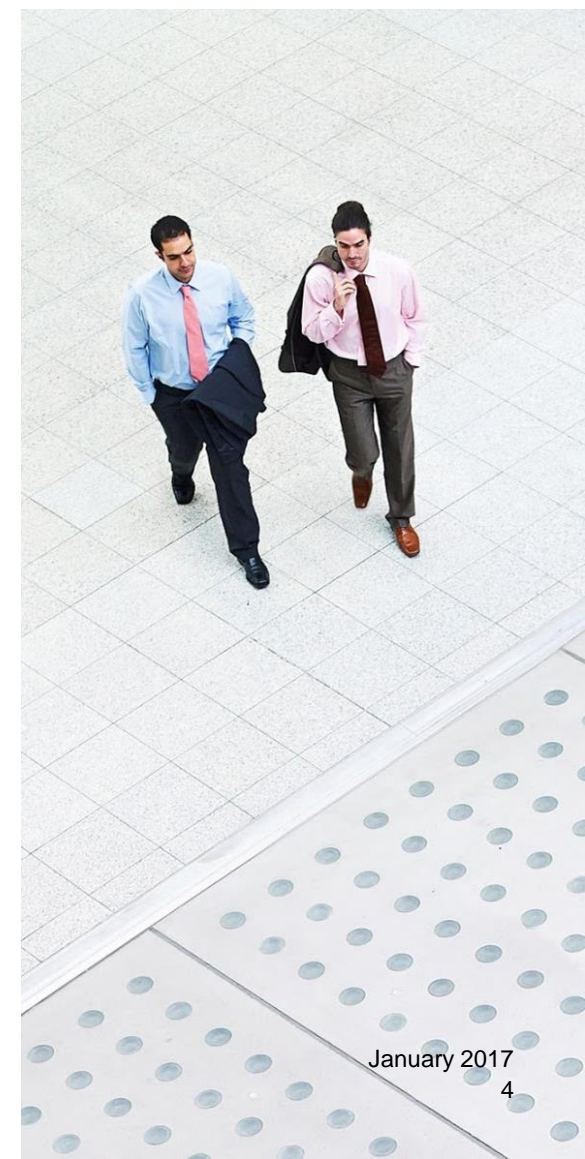
Hinckley and Bosworth Borough Council is the lead partner for the Leicestershire IT Partnership involving Melton Borough Council, Oadby & Wigston Borough Council and Blaby District Council. The Council has full delegated responsibility from the Partnership for leading on formalising the contractual arrangements with the third party ICT provider, Steria. This includes formalising the governance, performance reporting and contract management.

Contractual negotiations for the new contract were concluded in October 2016, with the contractual start date being January 2017. This review aimed to review the existing arrangements in place as part of the old contract with a view to identify areas for improvement which can be implemented in line with the new contractual arrangement, commencing January 2017.

The existing contract was developed through evolution. Over the course of the last five years additional Councils have joined the Partnership arrangement. The original contract was not designed to deliver one service to many Councils. In developing the new ICT contract, all partners identified a number of opportunities to maximise efficiencies through working together and building on the improvements made following receipt of the Transformation Challenge Award (TCA) funding in 2015/16. The new contract has been written to deliver one service, across all partners and processes are underway to reorganise their resources to ensure that Steria are effectively organised to deliver the service on a revised basis.

The focus for the Council is now to hold Steria to account and ensure that the commitments made as part of the proposal are realised to maximise the benefits available from the contract going forward.

The aim of this review was to assess the design and operating effectiveness of key controls in place relating to the old contract for the Leicestershire IT Partnership. As the Council look to implement the new ICT contract we have identified a number of areas where improvements in the current processes will ensure that the future service is efficient and cost effective.



Executive summary (2 of 4)



Headlines/summary of findings (continued)

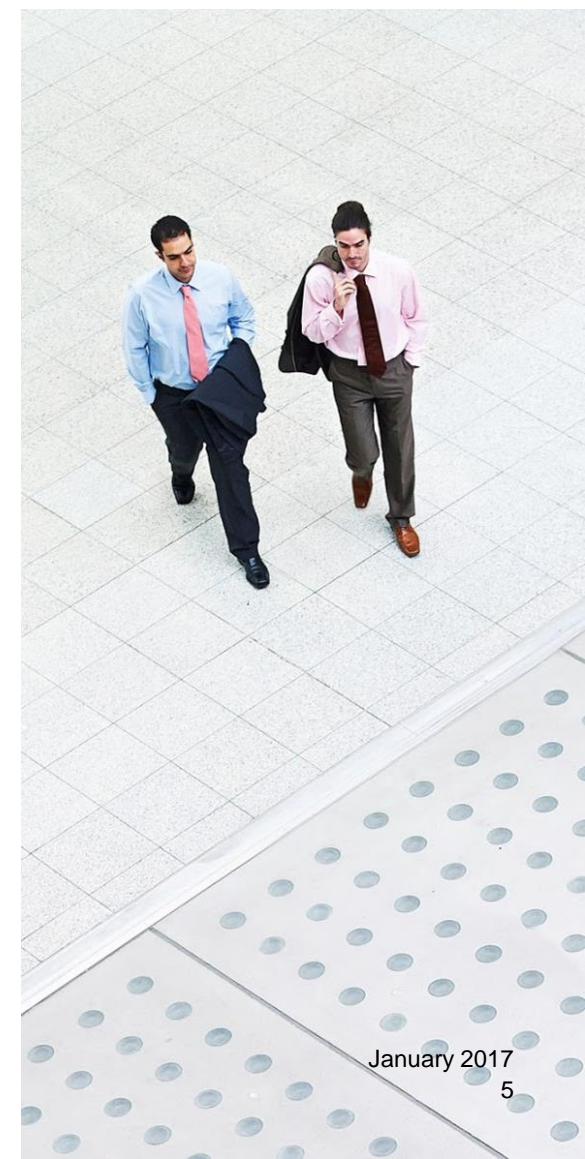
From the work completed it was noted that the Partnership management team were aware of many of the issues surrounding the contract. The recent contract negotiations have demonstrated a commitment to identifying ways to improve and implementing them into the way the Partnership works to benefit all the partners. Contractual negotiations for the new contract were concluded in October 2016, with the contractual start date being January 2017.

Since the issues identified have already been addressed under the new contractual arrangement, the outcome of this review is a report with a low risk rating.

Contractual negotiations with Steria have focused on formalising different working practices and ensuring the new Partnership arrangement is the best possible working Partnership for Hinckley and Bosworth Borough Council and the rest of the Leicestershire IT Partnership. The main aim from the negotiations was to make sure the new contract brought new services, formalised improvements and delivered revised service arrangements. This is building on the work the Council undertook using the Transformation Challenge Award funding and looking to deliver slightly differently.

Going forwards the Council need to ensure the issues identified are remediated under the new contract arrangement in order to maximise the benefits of working in a Partnership arrangement to ensure that the ICT service delivered is streamlined, efficient and cost effective. A number of improvements have been negotiated within the new service contract and the partners are fully committed to ensuring these are implemented fully.

We would like to thank all staff involved for their help during the internal audit.



Executive summary (4 of 4)



Management comments

Include overall management comments on the findings.

This section can be omitted if not required.



Current year finding (1 of 1)

Contract implementation

Control design

1

Finding rating

Rating

Low

Finding and root causes

Over the course of the last five years additional Councils have joined the Partnership arrangement. The original contract was not designed to deliver one service to many Councils and through the course of our review it was identified that within the current ICT service there is an inconsistent approach to the delivery and support across the four Councils. We identified issues in relation to:

- Governance arrangements;
- Inconsistent service provision;
- Performance reporting; and
- Policies and procedures.

From the work completed it was noted that the Partnership management team were aware of many of the issues surrounding the contract. Contractual negotiations with Steria have focused on formalising different working practices and ensuring the new Partnership arrangement is the best possible working Partnership for Hinckley and Bosworth Borough Council and the rest of the Leicestershire IT Partnership. The issues identified have been included in the revised contractual negotiations to make sure that the new contract brought new services, formalised improvements and delivered revised service arrangements.

We have included details of the individual issues identified and actions which management have already undertaken as part of the the new contractual arrangement over pages 8-11.

Implications

Opportunities to maximise efficiencies identified and included in the revised contractual arrangement are not implemented to support delivery of a streamlined, efficient and cost effective service.

Action plan

The Council need to ensure the issues identified are remediated under the new contract arrangement in order to maximise the benefits of working in a Partnership arrangement to ensure that the ICT service delivered is streamlined, efficient and cost effective.

A number of improvements have been negotiated within the new service contract and the Council needs to make sure these are monitored and reviewed to ensure that the new arrangements are fully realised in order to get maximum benefit from the new contractual arrangement.

Responsible person/title:

Mike Dungey, Interim ICT Manager

Target date:

July 2017 January 2017

Governance arrangements

Finding and root cause

There is a lack of clear, organised and structured governance arrangements which make identification of the governance arrangements for the contract and roles and responsibilities hard to ascertain. The partners do have a strategic group which meet regularly and individual councils hold regular monthly meeting to discuss their performance reports.

The existing ICT strategy is out of date. Whilst there are service improvement plans, these are Council specific and not for the Partnership as a whole. Steria currently do not share ideas or things they think that could be implemented to improve the service.

Implications

Without clear definitions of roles and responsibilities, Hinckley and Bosworth Borough Council as lead party may be held accountable. Management and governance of the contract maybe ineffective to ensure an efficient and cost effect service is delivered.

The ICT support service is not streamlined, it lacks efficiency and is not cost effective. The lack of transparency around service delivery may mean some users think they are not getting as good a service as other Councils.

Action plan

Under the new contractual arrangement there will be technology roadmaps and an ICT strategy delivered to show the expected future ICT progress. The roadmaps will be reviewed initially every 30 days and then annually. The strategy will be reviewed six months after contract implementation and then on an annual basis.

As part of the new contract, an innovation forum will be introduced where Steria will be able to share ideas with the Partnership and potential service improvements. Management will look to introduce user forums which travel to each of the Councils and demonstrate new tools and technologies.

Inconsistent service provision

Finding and root cause

Currently there are Steria personnel on site at each of the Councils in line with contracting model adopted by the Partnership and they do not work together. The Councils operate individually and have separate ICT aims and strategies. Steria provide services to the four Councils individually and not to the Partnership as a whole. Steria do not manage the work themselves, they are lead by what they are asked to do by the Partnership. Users currently contact Steria by emailing the individual address designed for each of the Council's for ICT support. There are four individual email addresses and four separate phone numbers. The service is not joined up to deliver as a Partnership and instead four individual services are being provided by the same company.

Implications

The ICT support service is not streamlined, it lacks efficiency and is not cost effective. The lack of transparency around service delivery may mean some users think they are not getting as good a service as other Councils.

Action plan

The Partnership will work with Steria to create a more streamlined consistent approach to the provision of ICT services under the new contract. This includes planning to streamline processes by looking towards implementing the same applications and laptops across all the Councils, and using joint data centres. As part of the revised contract, there will be one common communication platform, including one phone number and one email address across the Partnership implemented using the TCA funding. Following completion of the planned application consolidation review, they will also look to implement a web portal for online communication and information will be provided to the Partnership as a whole under the new contract. There will be one ICT support service provided to the Partnership as a whole and management will act on behalf of the Partnership and not individual Councils.

Steria will have greater autonomy over the service, they will take responsibility for managing the relationship and controlling the ICT provision. They will introduce new personal in the role of managing and coordinating the work and this person will also be responsible for making sure the service provided meets contract requirements. There is an action plan in place for sites to agree and adopt similar policies and processes to support the redesigned service. There will be a main base for Steria engineers and engineers will visit sites when required and the ICT manager, who is leading from a Partnership side will visit each Council weekly.

Performance reporting

Finding and root cause

Performance reporting is done to each Council, based on the one to one old contract model and does not consider the Partnership as a whole. The new contract has identified this as an opportunity to report performance on a combined service level, including trend analysis and narrative reporting. Previously, the ICT manager met each Council individually specifically to review performance and issues on a one to one basis. The monthly reports are very numerical and include a lot of figures which are not explained and which are difficult to understand. The report is very long and there are so many figures it can be overwhelming and time consuming to go through that and find the key data.

It is not clear what performance is measured by, what it is monitored against and what constitutes a failure in service delivery. As a result identifying areas of concern is not always possible.

Implications

Reporting is unclear, hard to understand and it can be confusing to understand where performance improvements have taken place or are required. This will cause improvements to be missed, as well as issues which can be hidden within the data.

Action plan

The SLA and service delivery model has now been redesigned and the new reports will focus on reporting by exception to make identifying areas for improvement easier. Revised monthly reports have been developed prior to the effective date of the new contract – specifically to address numerical reporting, trend analysis and reporting by exception at a Partnership level.

The governance group and Steria are in the process of agreeing the scope and detail of reporting. It will be updated annually to make sure relevant measures are included. To promote a standardised approach, reporting will be done on the Partnership as a whole and then broken down into figures for each Council within the same report, this allows for openness, clarity and potential lessons learned if one appears to have an enhanced service. The key is to get the right balance of information. Performance management meetings will also be undertaken for the Partnership as a whole rather than at individual Councils.

Management will also consider including less figures, for example just key movements and then brief explanations. Trend analysis showing the performance over time would also be helpful.

Policies and Procedures

Finding and root cause

There are a number of relevant policy and procedure documents which have been developed for each Council. Hinckley and Bosworth Borough Council is relatively well supported with policy and procedures, Oadby & Wigston Borough Council and Blaby District Council had limited policies and procedures but have mainly adopted those of Hinckley which has helped to support the development of aligned policies. Melton Borough Council have some of their own and have started to adopt some from Hinckley but adoption is inconsistent and policies and procedures vary considerably.

Implications

The lack of standardised and consistent policies and procedures means processes will be inconsistent and as a result the ICT support provided will not be consistent and streamlined. This will result in a less efficient and effective service, which will be more costly and will not allow for the benefits, improvements and lessons learned to be identified and capitalised on.

Action plan

The technical consolidation and joined up partnership governance will support taking this forward and extending policy consolidation where possible to maximise efficiencies further. Management from all the Councils will work towards having one clear set of policies and procedures for the Partnership, including variations if required for a particular Council as an exception. Steria should be included in these conversations to give a technical view. All the Councils will approve the policies and procedures and commit to reviewing and updating annually. Policies and procedures will be owned and maintained by the Partnership as a whole rather than by individual Councils.



**Appendix A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**

Appendices

Appendix A: Basis of our classifications

Individual finding ratings

Critical

A finding that could have a:

- **Critical** impact on operational performance; or
- **Critical** monetary or financial statement impact; or
- **Critical** breach in laws and regulations that could result in material fines or consequences; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.

High

A finding that could have a:

- **Significant** impact on operational performance; or
- **Significant** monetary or financial statement impact; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences; or
- **Significant** impact on the reputation or brand of the organisation.

Medium

A finding that could have a:

- **Moderate** impact on operational performance; or
- **Moderate** monetary or financial statement impact; or
- **Moderate** breach in laws and regulations resulting in fines and consequences; or
- **Moderate** impact on the reputation or brand of the organisation.

Appendix A: Basis of our classifications

Individual finding ratings

Low

A finding that could have a:

- **Minor** impact on the organisation's operational; or
- **Minor** monetary or financial statement impact; or
- **Minor** breach in laws and regulations with limited consequences; or
- **Minor** impact on the reputation of the organisation.

Advisory

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

| Findings rating | Points |
|-----------------|-----------------------|
| Critical | 40 points per finding |
| High | 10 points per finding |
| Medium | 3 points per finding |
| Low | 1 point per finding |

| Report classification | Points |
|-----------------------|--------------------|
| Low risk | 6 points or less |
| Medium risk | 7 – 15 points |
| High risk | 16 – 39 points |
| Critical risk | 40 points and over |

Appendix B: Terms of reference



Background and audit objectives



This review is being undertaken as part of the 2016/2017 internal audit plan approved by the Audit Committee on 27 June 2016.

Background and audit objectives

Hinckley and Bosworth Borough Council is the lead partner for the Leicestershire IT Partnership involving Melton Borough Council, Oadby & Wigston Borough Council and Blaby District Council. The Council has full delegated responsibility from the Partnership for leading on formalising the contractual arrangements with the third party ICT provider, Steria.

A full procurement exercise was undertaken during 2015 in which Northgate were appointed as the preferred supplier and negotiations around contractual terms and conditions commenced. The Council were unable to agree terms and during July 2016 appointed Steria as their preferred supplier. Contractual negotiations are set to begin imminently, which are to be concluded by September 2016 with a contractual start date of January 2017.

Whilst the Council is planning on continuing with its current supplier, Steria, they are keen to ensure the new contract formalises different working practices and ensures the best possible Partnership arrangement between Hinckley & Bosworth Borough Council and the wider Leicestershire IT Partnership. This review will consider lessons learnt from the current arrangement to ensure issues identified are addressed going forward in the new contractual relationship.



Audit scope and approach (1 of 2)



Scope

We will review the design and operating effectiveness of key controls in place relating to the Leicestershire IT Partnership during the period from April 2016 to the date of the audit fieldwork.

The sub-processes and related control objectives included in this review are:

| Sub-process | Objectives |
|--------------------------------------|---|
| Governance arrangements | <ul style="list-style-type: none"> Adequate governance arrangements are in place at the Council to oversee the Partnership arrangement on behalf of the Leicestershire IT Partnership |
| Performance management | <ul style="list-style-type: none"> There are regular performance management meetings with the supplier to report on performance and service delivery Action is taken by the supplier to ensure performance issues are addressed in a timely manner |
| Implementation | <ul style="list-style-type: none"> There are consistent policies and procedures applied across the ICT Partnership The services offered as part of the IT contract are fully utilised |
| Transformation | <ul style="list-style-type: none"> The Council are working with the supplier to transform the nature of service delivery and maximise service potential The Council has the opportunity to develop innovative ways to working to obtain the best possible service from the contractual arrangement |
| Leicestershire IT Partnership | <ul style="list-style-type: none"> There is regular communication between the Council and the wider Leicestershire IT Partnership around performance management and service delivery There are arrangements in place to allocate responsibility and accountability within the Partnership arrangement |

Audit scope and approach (2 of 2)



Limitations of scope

The scope of our work will be limited to those areas outlined above. Our review will be performed in the context of the information provided to us.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the ICT Partnership Arrangements through discussions with key personnel and review of systems documentation;
- Identify the key risks of to the ICT Partnership;
- Evaluate the design of the controls in place to address the key risks; and
- Test the operating effectiveness of the key controls.



Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

This document has been prepared only for Hinckley and Bosworth Borough Council and solely for the purpose and on the terms agreed with Hinckley and Bosworth Borough Council in our agreement dated 10 May 2016. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to Public Sector Internal Audit Standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

In the event that, pursuant to a request which Hinckley and Bosworth Borough Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Hinckley and Bosworth Borough Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Hinckley and Bosworth Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such [report]. If, following consultation with PwC, Hinckley and Bosworth Borough Council discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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