



Three Rivers DC/Watford BC

External Audit 2011-12

ICT Shared Services Update

June 2012

Status of IT Shared Services - for presentation to Audit Committee June 2012

SCOPE AND BACKGROUND

As part of our 2011-12 audit plan we have identified the need to review the arrangements in respect of the ICT Shared Service for both Watford BC ('WBC') and Three Rivers DC ('TRDC'), in particular to understand the plans for implementing recommendations from external consultants and audit, internal and external, and to assess the proposed scope for reviewing the future viability of the service. This work will inform our opinion for the 2011-12 accounts.

In February 2012, we presented to Audit Committee a paper summarising key activity within the ICT Shared Service, as well as progress to date with the options to outsource the service. This summary report provides an update on further progress, in particular with regard to the on-going activity for the future provision of the service.

Our summary below is based on a number of key documents from both Councils. We have discussed progress with the ICT Business Manager, in the absence of the Head of ICT, but we have not performed any additional work to date to test the operating effectiveness of the controls in place to manage the service nor the project plans to help deliver the future of the service.

PROGRESS WITH INFRASTRUCTURE UPGRADE

The ICT Shared Service completed a twelve week infrastructure programme in January 2012, to deal with urgent change/maintenance requests. Approximately £123,000 was spent on Phase 1 to complete this work. This included infrastructure improvements made around performance, problem management and security. Phase 2 was planned and work outlined included further work to make similar improvements and to bring older technologies up to date by upgrading or replacing. This has also now been completed. Work has commenced on further infrastructure improvements.

FUTURE OF THE SERVICE

The independent review of ICT Shared Services in May 2011 recommended that improvements were required to Shared Services governance arrangements, the ICT infrastructure, service delivery and the future ICT strategy. In November 2011, the Shared Services Joint Committee recommended that the Councils further explore the option of fully outsourcing the ICT service through advertisement on the following framework agreements:

- HCC (Hertfordshire County Council) framework – with a single supplier, SERCO
- GPS (Government Procurement Services) framework – with up to twelve potential suppliers

The parallel procurement exercises are now on-going, with bids due for return on the 25th of June 2012. The tender exercises involve the following:

- the Councils conducted a capability assessment on both framework agreements. We are informed that from the twelve potential suppliers, eight have responded with an expression of interest from the GPS framework and SERCO also responded from the HCC framework
- the Councils, with the help of external consultants, have developed an ICT requirement specification from the information gathered from the both Councils
- the Councils have supplied the same tender information on both framework agreements, and requested that suppliers respond to the ICT proposal accordingly
- the Councils have retained the right not to make an award.

TIMETABLE

The ITT was issued on 11th May 2012 and responses are expected on 25 June 2012. The original timetable indicated that the evaluation of tenders and selection of preferred supplier would take place in July 2012, with the award of contract anticipated to be in September 2012. The service with the third party was to take effect from beginning of 2013. However, this has now been subject to change and the evaluation exercise and award of contract will not now take place until 10th September 2012 via the Joint Committee. This will have an impact on the awarding of the contract, if that is agreed.

Based on current plans, the earliest that any new service can go live will be from March 2013. However, this is dependent on the timeframe for due diligence and transition which is currently estimated at four weeks and twelve weeks respectively. These timescales would be negotiated with any prospective supplier. Mid-March onwards is traditionally a very busy period in the year for authorities and the risks around resources being stretched should be considered carefully.

The Joint Management Board are to finalise the evaluation process and revised timescales in early June 2012. Evaluation criteria has been agreed and included within the ITT, but the officers to be involved and the revised timescales have yet to be agreed.

We are informed that ICT staff were briefed on the change of the procurement approach in a team meeting on 8 March 2012. Consultation with staff is underway and will run for forty two days from 30 April until Friday 8 June 2012.

KEY STAFF

The Head of ICT Shared Services is currently on long term sick leave. Her role as overall project lead has been overseen in the past few weeks by the ICT Business Manager, who in turn will herself be on maternity leave from early July. The Councils have not yet taken a decision as to who will oversee the evaluation of tenders and, if the decision is taken to award a contract, liaise with the successful bidder as part of the transition work, should the Head of ICT not be available. We are informed that this risk is, however, currently being investigated as a priority.

RISK MANAGEMENT

We bring to the attention of the Audit Committee, following on from our update in February 2012, the following areas that we believe need to be actively managed, should the Councils decide to use a third party to manage its ICT service:

- 1 Ensure that there is sufficient representation, at the most appropriate level, from ICT to assess the tender submissions
- 2 Make a decision around whether an interim Head of ICT Shared Service will be appointed to provide a strategic lead over the next few months. This will be a critical time and ICT expertise will be essential in liaising with third parties
- 3 Ensure that the timescales for commencement of contract, should this be agreed, are considered carefully to ensure key resources are available to oversee this project in addition to other critical work for the Councils
- 4 The Councils should ensure that specialist advice on drawing up IT contracts is sought before the contract (s) is signed to assess their needs and responsibilities, including the right to audit.
- 5 Consideration should also be given to the length of the contract(s) and the inclusion of penalties, in addition to the Councils' exit strategy
- 6 The contract(s) should clearly stipulate how the proposed benefits will be measured and realised and how would this will be detailed via contractual terms
- 7 The contract(s) should also outline the type of governance arrangements needed for contract review and monitoring purposes
- 8 The contract should clearly stipulate the information security requirements as mandated by external regulatory bodies.

We propose to carry out the regular updates between spring and the autumn 2012 and will report to the respective Audit Committee meetings for both Three Rivers DC and Watford BC.

The work has been performed by Negat Sultan, a Senior Manager within our Technology Risk Services team and has been overseen by Paul Dossett, Partner.

Grant Thornton UK LLP

June 2012