

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

REVIEW OF WAIVERS AUDIT 2016-17

Issued to: Lesley Moore, Director of Commissioning
Dave Starling, Head of Corporate Procurement
Alastair Baillie, Environmental Development Manager

Cc Peter Turner, Director of Finance

Prepared by: Principal Auditor

Date of Issue: 17 March 2017

Report No: CX/089/16/2016

REVIEW OF WAIVERS AUDIT 2016-17

INTRODUCTION

1. This report sets out the results of our systems based audit of the waiver process. The audit was carried out in quarter 4 as part of the programmed work specified in the 2016/17 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
2. Contract Procedure Rules (CPR) (Paragraphs 3.1 – 3.4 and 23.7) set out the process to waive any CPR requirements for competitive bids when engaging in procurement activity. In addition to the guidance in Contract Procedure Rules, the Corporate Procurement Authorisation Template form contains guidance in each section of that form outlining the type and nature of the information required to be completed. This is available on OneBromley.

AUDIT SCOPE

3. The scope of the audit was outlined in the Terms of Reference issued on 14 October 2016. We have analysed a sample of completed waiver forms for completeness, accuracy and timeliness and examined the monitoring arrangements in place.

AUDIT OPINION

4. Overall, the conclusion of this audit was that limited assurance can be placed on the effectiveness of the controls over the completeness, accuracy and timeliness of the waiver forms submitted for authorisation and the recording and monitoring of waiver information. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

5. Controls were in place and working well in the areas of guidance provided by the Head of Procurement in CPR on waivers and the advice on the waiver request template form. The authorisation of any waivers/extension requests where the contract

REVIEW OF WAIVERS AUDIT 2016-17

is due to expire within the next 6 months are now made by the relevant Portfolio Holder/PDS/Executive. The recording of the information of approved waivers in ECHS enables the waiver end date to be monitored and officers notified in sufficient time to carry out further tendering action

6 Our testing covered waivers submitted between March 2016 and October 2016. We sampled eight waivers submitted by a range of Directorates during that period. These were sourced from the binders of waivers retained by the PAs of the Directors of Environment and Community Services, Corporate Services and Finance, amounting to approximately 30 waivers. We also examined the arrangements for recording and monitoring waiver information. We identified the following issues which we would like to draw to management's attention:-

- Whilst waivers are sometimes subject to scrutiny by the Director of Commissioning and Commissioning Board, not all waivers are subject to formal scrutiny by procurement professionals to confirm that they have been completed accurately, timely and with required information in line with CPR.
- There is no single Corporate Register of completed waiver information and the forms are not uniquely referenced to enable them to be easily identified and to give assurance that all have been captured, processed and authorised. Information relating to waivers is kept in different locations and formats depending on the department.
- The current arrangements and format for recording and monitoring waiver information should be reviewed, together with the possibility of introducing an automated electronic alert process for waivers which are nearing their expiry date.
- Instructions and guidance have been provided to officers by Procurement, both via Contract Procedure Rules and on the waiver template, but there were numerous instances in our sample testing where the waiver forms had not been completed correctly. The sample of waiver forms which we examined contained examples of incomplete and inaccurate information and a lack of timeliness and evidence of appropriate authorisation. The introduction of an electronic waiver form with on-line authorisation at each stage of the process would improve existing controls.
- The form used for requesting agreement to waive a contract is also used to award a contract. A separate form for approving waivers should be considered.

SIGNIFICANT FINDINGS (PRIORITY 1)

9 There are two significant findings.

- Whilst waivers are sometimes subject to scrutiny by the Director of Commissioning and Commissioning Board, not all waivers are subject to formal scrutiny by procurement professionals to confirm that they have been completed accurately, timely and with required information in line with CPR. We acknowledge that there is no requirement in Corporate Procedure Rules for all completed waiver forms to be submitted to the Corporate Procurement Team before they are authorised. There is no single Corporate Register of completed waiver information and the forms are not uniquely referenced to enable them to be easily identified and to give assurance that all have been captured, processed and authorised. Information relating to waivers is kept in different locations and formats depending on the department. We were unable to identify any formal waiver monitoring arrangements in place for HR, Finance and IT Directorates. A Corporate Register of waiver information and an automated electronic alert process for waivers which are nearing their expiry date would strengthen controls. This could be explored as part of the functionality of the new Contracts Database.
- Our examination of a sample of the waiver forms submitted found that, although instructions and guidance have been provided to officers by Procurement, both via Contract Procedure Rules and on the waiver template, there were numerous instances where the waiver forms had not been completed correctly. The sample of waiver forms which we examined contained examples of incomplete and inaccurate information and a lack of timeliness and evidence of appropriate authorisation. We saw instances in our sample of waiver forms examined where they had not been signed and dated and the 'Guidance' section had been removed. In one case a waiver to extend the existing contract had been requested approximately two weeks before the contract expiry date and insufficient time had been allowed to undertake the tendering process. In another case for Beckenham Town Centre improvements, the contract extension start date was January 2016 but the waiver was submitted in September 2016 due to a delay in awaiting funding from

REVIEW OF WAIVERS AUDIT 2016-17

TfL to proceed with the scheme. The introduction of an electronic waiver form with on-line authorisation at each stage of the process would improve existing controls. It would enable a unique reference to be applied to the form and provide an audit trail of who has authorised the form and when. Any subsequent changes to information contained on the form or edits of the form by individuals could then be identified. This could also be explored as part of the functionality of the new Contracts Database.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

11. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

- 12 Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>Whilst waiver forms are referred to the relevant Head of Finance, they are not referred to the Corporate Procurement Team. Therefore there is no evidence of procurement involvement to verify that the form has been completed correctly in line with CPR. For comparison purposes we searched the internet to identify waiver forms used in other authorities. We identified that in those authorities the Head of Procurement approves waiver requests, prior to approval by the Section 151 Officer.</p> <p>Information relating to waivers is kept in different locations and formats depending on the department. The process involves a waiver form being authorised at different stages by officers such as Directors, Head of Legal Services and Director of Finance. Copies of the form are retained by these officers at each stage. There is no single Corporate Register of completed waiver information and the forms are not all uniquely numbered to enable them to be easily identified for future reference. We cannot therefore guarantee that all waivers have been accounted for and hence reported to the Audit Sub-Committee.</p> <p>The format of the ECS and ECHS monitoring information is</p>	<p>Risk that a waiver form is not completed timely, accurately or with incomplete information. Value for money is not obtained due to poor timeliness in tendering for a service and the need for exemption from procurement rules.</p>	<p>Management should consider:-</p> <p>(i) introducing a process whereby all waiver requests are submitted to the Corporate Procurement Team, to verify that the form has been completed in line with Contract Procedure Rules and for approval by the Head of Procurement,</p> <p>(ii) the introduction of a Corporate Register for the recording and retention of all waivers as a single source of information. We consider that the location for this should be the Corporate Procurement Team,</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>different. ECHS use a spreadsheet format whereas ECS use a database, which also includes waiver information for other Directorates such as HR, Finance and IT. Monitoring information recorded on the ECS team site showed an incorrect end date on the contract monitoring summary sheet for one waiver in our sample and an extension end date was not recorded in another case. In three other cases relating to ECS, HR and Finance there was no information for those waivers recorded. There were four cases in our sample where a copy of the authorised waiver form could not be seen on the ECS or ECHS team sites.</p> <p>We noted that in another Authority a uniquely referenced waiver form is issued by the procurement team each time, which enables it to be recorded and monitored from that point forward. This practice, if adopted by London Borough of Bromley, could help to identify at the first stage any instances of poor timeliness relating to tendering.</p>		<p>(iii) All forms should be uniquely numbered to ensure that they can be identified, and</p> <p>(iv) reviewing the current arrangements and format for monitoring waiver information to ensure that it is accurate and complete.</p> <p>[Priority 1]</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
2	<p>We selected and examined a sample of eight waiver forms submitted since April 2016 for timeliness, completeness and accuracy of information and appropriate authorisation. We identified the following issues:-</p> <ul style="list-style-type: none"> The format of the waiver template is multi-purpose and is required to be completed for agreement to be considered for awarding and waiving procurement. <p>The originating officer's name was typewritten in 1 case (sample 7) and signed but not dated in 2 other cases (samples 1 and 5)</p> <p>The budget holder's name was signed but not dated in two cases (samples 1 and 5)</p> <p>In one case the waiver form had been amended and adapted with the 'Guidance' section of the waiver form removed (sample 2).</p> <p>In two cases a waiver to extend the existing contract had been requested where it appeared insufficient time had been allowed to undertake the</p>	<p>Risk that a waiver form is not completed timely, accurately or with incomplete information. Value for money is not obtained due to poor timeliness in tendering for a service and the need for exemption from procurement rules.</p>	<p>The current version of the template waiver form is dated 2012-13. In view of the findings from our sample testing of completed forms it should be reviewed and revised to consider :-</p> <p>(i) introducing separate forms for awarding contracts and requesting to waive procurement rules,</p> <p>(ii) including boxes in those sections where a signature and date is required, to emphasise the need for officers to sign and date the form accordingly,</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>tendering process (samples 1 and 3).</p> <p>In one case the title of the waiver was the same as a previous waiver submitted and appeared to have been copied and pasted from a previous waiver form (sample 2)</p> <p>In three cases the table of information for the contracts register had not been completed (samples 2, 5 and 7).</p>		<p>(iii) the inclusion of total expenditure made with the supplier, in addition to the budget and total contract value which are already included and</p> <p>(iv) the feasibility of operating the waiver process by an electronic method in future which would generate an indisputable record of the date when a waiver is authorised at each stage of the process and by whom. It would also prevent sections of the waiver request form being amended or removed.</p> <p>[Priority 1]</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>Management should consider:-</p> <p>(i) introducing a process whereby all waiver requests are submitted to the Corporate Procurement Team, to verify that the form has been completed in line with Contract Procedure Rules and for approval by the Head of Procurement,</p> <p>(ii) the introduction of a Corporate Register for the recording and retention of all waivers as a single source of information. We consider that the location for this should be the Corporate Procurement Team,</p>	1	<p>Agreed. The waiver form will be amended to include the signature of the Head of Procurement, who should be the first signature on the waiver form (subject to review concerning the numbers of waivers received).</p> <p>Agreed. Contracts Database will deliver in September 2017. Three waiver templates are envisaged covering:</p> <ul style="list-style-type: none"> • Extensions Beyond Term Waivers (establishes a parent-child relationship between the original contract and the extension contract) • Single Tender Waivers 	<p>All Directors</p> <p>Head of Procurement</p>	<p>End of April 2017</p> <p>Manual system: July 2017</p> <p>Database solution: Sept. 2017</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	<p>(iii) All forms should be uniquely numbered to ensure that they can be identified, and</p> <p>(iv) reviewing the current arrangements and format for monitoring waiver information to ensure that it is accurate and complete.</p>		<ul style="list-style-type: none"> Change Control Notices Agreed. Contracts Database will deliver this process, but until database fully operational it will need to be done manually <p>Proposed Contract Database solution will ensure all elements of the waiver are completed and all appropriate signatures secured.</p>	All Directors	<p>Manual system: July 2017 Database solution: Sept. 2017</p> <p>April 2017</p>
2	<p>The current version of the template form is dated 2012-13. In view of the findings from our sample testing of completed forms it should be reviewed and revised to consider :-</p> <p>(i) introducing separate forms</p>	1			

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	<p>for awarding contracts and requesting to waive procurement rules,</p> <p>(ii) including boxes in those sections where a signature and date is required, to emphasise the need for officers to sign and date the form accordingly,</p> <p>(iii) the inclusion of total expenditure made with the supplier, in addition to the budget and total contract value which are already included and</p> <p>(iv) the feasibility of operating the waiver process by an electronic method in future which would generate an indisputable record of the date</p>		<p>Agreed</p> <p>Agreed</p> <p>Will review feasibility (within Oracle Financials and Contract Database).</p> <p>Agreed. Contract Database will create a controlled system specifically for waivers to:</p> <ul style="list-style-type: none"> • hold templates (three types) • provide on-line guidance • provide a unique reference 	<p>Head of Procurement</p> <p>Head of Procurement</p> <p>Director of Commissioning</p> <p>Head of Procurement</p>	<p>July 2017</p> <p>July 2017</p> <p>September 2017</p> <p>September 2017</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	<p>when a waiver is authorised at each stage of the process and by whom. It would also prevent sections of the waiver request form being amended or removed.</p>		<p>system</p> <ul style="list-style-type: none"> • ensure all fields are completed • generate staged workflows (virtually circulate the document for electronic signature according to the value concerned – all date-stamped) • securely store the final document in one location (the database) 		

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

OPINION DEFINITIONS

APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level	Definition
Full Assurance	There is a sound system of control designed to achieve all the objectives tested.
Substantial Assurance	While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.
Limited Assurance	Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.
No Assurance	Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.