

**Northern Ireland Audit Office
Examination of Procurement Breaches in
Northern Ireland Water**

9 December 2010



Northern Ireland Audit Office

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Part 1: Background

Introduction

1.1 In April 2007 responsibility for the delivery of water and sewerage services in Northern Ireland transferred from Water Service to Northern Ireland Water (NIW). NIW is a limited company owned solely by government, with the Department for Regional Development (DRD) representing the government's shareholder interests through its Shareholder Unit.

Internal Audit reviews of procurement in NIW

1.2 In September 2009 the new Chief Executive Officer¹ (CEO) of NIW commissioned an Internal Audit review of the procurement of Contracting Out LLP (Contracting Out). Contracting Out had been appointed by NIW to assist with the termination of the Steria² Contract. The review concluded that:

- appropriate DRD Shareholder Unit approvals had not been obtained; and
- there was a potential breach of EU procurement requirements and of the Regulatory Licence.

1.3 As a result of the Contracting Out review, the CEO commissioned a second 'Contracts Approval' review which was carried out by NIW's Internal Audit. The Contracts Approval review examined all contracts recorded on NIW's Contracts Database and all suppliers where expenditure exceeded £100,000 in the preceding 12 months (1 December 2008 to 8 December 2009)³. The review identified significant instances of non compliance with the company's financial delegation policy, the Shareholder Governance Letter of March 2007 and potential breaches of the Regulatory Licence.

1.4 The CEO relayed the findings and implications of the Contracts Approval review to DRD, the NIW Board, and the Northern Ireland Authority for Utility Regulation (NIAUR). The CEO and DRD Permanent Secretary then jointly requested a wider 'Deep Dive' review⁴. This third review was carried out by a joint DRD and NIW Internal Audit team, headed by NIW Internal Audit.

1.5 On the basis of the findings of the Contracts Approval report, DRD and NIW Accounting Officers jointly commissioned an Independent Review Team (IRT) to report with recommendations on actions to be taken by NIW and DRD to address the governance issues surrounding procurement.

¹ Laurence MacKenzie was appointed as NIW Chief Executive in July 2009 and Accounting Officer on 15 September 2009. Chris Mellor, the then Chair of NIW, acted as Interim Chief Executive from May 2008 to July 2009 following the departure of the previous Chief Executive Katherine Bryan.

² Steria was an organisation contracted to provide customer billing, contact handling and mobile work management services to NIW

³ In cases where Internal Audit found expenditure to be over £100,000 which was not included within the Contracts Database, it assessed expenditure back to April 2007.

⁴ Covering all suppliers with expenditure over £100,000 since 1 April 2007 not already examined in the previous 'Contracts Approval' review and a 10 per cent sample of suppliers with expenditure between £30,000 and £100,000 (163 suppliers).

Internal Audit reported significant procurement breaches in NIW

1.6 In total, the 2 reviews (Contracts Approval and 'Deep Dive') identified 44 Single Tender Actions (STAs) not approved by the NIW Chief Executive, 13 irregular contract extensions that were potential breaches of EU procurement legislation, 3 business cases that did not have internal approval, 13 cases where business users continued to use suppliers repeatedly by raising quotations, and 1 case which had expenditure outside the approved business case. The STA cases also contained the following breaches:

- 10 cases did not have the required Board and Shareholder Unit approval; and
- 4 cases were potential breaches of EU procurement legislation and the Regulatory Licence.

NIAO's terms of reference and the scope of its examination

1.7 The Public Accounts Committee (PAC) requested, and the C&AG accepted, that NIAO should conduct an examination of the procurement breaches raised by NIW's Internal Auditors.

1.8 NIAO's examination has addressed the findings of the following three internal audit reports:

- (i) Report 1 - The Contracts Approval Report of 27 January 2010;
- (ii) Report 2 - The Control Environment - Phase I – Operating Expenditure report of 23 April 2010 and (in relation to one contract) the Control Environment – Phase II – Capital Expenditure, the 'Deep Dive' Report; and
- (iii) Report 3 - The Contracting Out Appointment Report dated November 2009.

1.9 The procurement breaches identified by Internal Audit in Report 1 and Report 2 involved 74 cases which have been valued at £28.4 million. NIAO's examination covered all 74 cases detailed in the 'Irregular External and Internal Expenditure Listing', drawn up by NIW Internal Audit. Our review is at Part 2 of this report.

1.10 In our review of the 74 cases identified by Internal Audit we determined (subject to the availability of supporting documentation):

- (i) whether the value and nature of the procurement breaches reported by Internal Audit are correct and are supported by sufficient, relevant and reliable evidence; and
- (ii) the extent of the breaches of financial delegations, procurement regulations and/or procurement procedures reported post-date the inception of NIW in April 2007 or the extent to which the breaches are legacy issues in respect of Water Service.

1.11 NIAO's examination included Report 3 – the Contracting Out (or 'Contractor A') appointment. NIAO also considered the findings of Report 3 in light of the additional evidence provided to PAC by the contractor, Contracting Out. Where these documents differ as to the nature and terms of the contract, we have, as far as is possible, come to a view as to the facts of the case. Our review is at Part 3 of this report.

1.12 In December 2008, NIW served notice of termination of the contract on Steria. Steria exited the business in July 2009. NIW was involved in a process to arrive at a financial settlement with that company which was agreed on 10 September 2010. Details of the settlement had not been made public because NIW had entered into a confidentiality agreement with Steria.

At the request of PAC, NIAO obtained and reviewed relevant documentation surrounding the Steria settlement including details of the final settlement. Our review is at Part 4 below.

- 1.13 In Part 5 of the report we have detailed our findings in relation to the financial control environment in NIW. Internal Audit found evidence of ‘invoice slicing’⁵ in respect of Company E. NIW launched a suspected fraud investigation led by the Head of Internal Audit. We carried out a review of the adequacy of this investigation, see paragraph 5.19 to 5.22 below.

Methodology

- 1.14 NIAO re-examined each case of procurement breach identified within NIW’s Internal Audit reports – Report 1 and Report 2. Our examination included:

- review of internal audit files;
- review of current and old archived contract databases maintained by the Operational Procurement Unit;
- meetings with staff;
- review of a sample of invoices relating to the procurement breaches;
- review of financial delegations and policies;
- review of Board and DRD meeting minutes (‘stocktake meetings’/Quarterly Shareholder meetings); and
- review of Independent Review Team (IRT) notes.

- 1.15 In order to identify whether procurement breaches identified by Internal Audit occurred prior to formation of NIW on 1 April 2007, NIAO extended its review of these cases to 1 December 2005. We selected this cut-off date because financial data before that time is archived in the Oracle Financial System and is not readily accessible. However, we consider that sufficient information is available from December 2005 for us to form a view on the extent of procurement breaches before April 2007. NIAO has also updated the value of procurement breach expenditure to include any expenditure up to 31 August 2010.

- 1.16 The Department commented that during the period before the establishment of NIW on 1 April 2007 the Agency Chief Executive was the Accounting Officer. The Agency was subject to GANI and relevant financial delegations and procurement rules. The NIAO was responsible for Water Service audits. The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly for 2005-06 and to the Northern Ireland Assembly for 2006-07 are available.⁶

⁵ ‘Invoice slicing’ can be defined as limiting the size of individual invoices so as to avoid proper delegated limits for authorisation.

⁶ The basis of the audit opinion included examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. The C&AG was not required to form an opinion on the effectiveness of the Agency’s corporate governance procedures or its risk and control procedures. An unqualified opinion on regularity was provided in 2006-07.

Part 2: Examination of Report 1 (Contract Approval) and Report 2 ('Deep Dive' Report)

- 2.1 NIAO has examined each of the 74 cases identified by Internal Audit and has determined for each (subject to the availability of supporting documentation) whether:
- the value and nature of the procurement breaches reported by Internal Audit are correct and supported by sufficient, relevant and reliable evidence; and
 - the extent to which the breaches are legacy issues in respect of Water Service.

Procurement breaches identified by Internal Audit were accurate

On the number of Procurement Breaches

- 2.2 Internal Audit identified 74 cases in which there were procurement breaches. NIAO has confirmed that these were correctly identified; our detailed analysis is at Appendix 1. NIAO found one additional procurement breach as a result of our validation work. In this case the information related to two separate contracts, the first of which had been included in Internal Audit's findings; the second, valued at £0.5 million, had been omitted. The breach related to a tender evaluation that was not approved by the Procurement Unit. NIW advise that the additional procurement breach identified by the NIAO was not treated as an exception by NIW's Internal Audit (see Case Study 1).

On the Value of Procurement Breaches

- 2.3 Internal Audit reported that the value of the procurement breaches identified totalled £28.4 million. Internal Audit's review covered the period from 1 April 2007 to December 2009 for Report 1, and 1 April 2007 to February 2010 for Report 2, though the specific dates varied with each case. NIAO concluded that the value of procurement breaches was £30.8 million for the same period examined by Internal Audit. This includes £0.5 million in respect of an additional breach we identified, and £1.9 million relating to a number of adjustments (such as invoice timing issues) where NIAO identified additional information (see Figure 1).

Figure 1: Amendments to Value of Procurement Breach Expenditure

	£m
Value of 74 procurement breaches as per Internal Audit (para 2.3)	28.4
Adjustments to Internal Audit findings (para 2.3)	1.9
Additional Case identified (para 2.2)	0.5
Revised value of procurement breaches	30.8

- 2.4 NIAO updated the values which had been collated by Internal Audit from the formation of NIW on 1 April 2007 to 31 August 2010 and as a result identified a further £3.8 million of procurement breaches (see Figure 2). NIW point out that this expenditure 'off contract' continued due to the backlog of contracts that required regularisation via proper tendering exercises following the Internal Audit reviews. Internal Audit included only the expenditure up to the date on which NIW advertised the new contract. We determined that all amounts paid on unapproved contracts up to the date they were regularised should be considered as procurement breaches. NIAO therefore considers that the total value of contracts and

contract extensions that had procurement breaches in the period covered by Internal Audit's review and in the extended period examined by NIAO is £34.6 million (see Figure 2).

NIAO found that a significant number of procurement breaches originated in Water Service

2.5 NIAO found 41 of the 74 procurement breaches originated within Water Service prior to the formation of NIW. From 1 December 2005⁷ to 31 March 2007 expenditure against these breaches totalled £11.3 million (see Figure 2). NIAO therefore calculates the total expenditure since December 2005, on the 74 procurement breaches in both Water Service and NIW was £45.9 million. Of this £34.6 million was incurred by NIW and £11.3 million by Water Service. NIW informed NIAO that it considers that the figure of £11.3 million is overstated by £185,000.

Figure 2: Procurement Breach Expenditure from 1 December 2005 to 31 August 2010

	£m
Adjusted value of 74 procurement breaches (see Figure 1)	30.8
Extension of procurement breach expenditure period to 31 Aug 2010 (para 2.4)	3.8
Subtotal	34.6
Procurement breach expenditure incurred pre 1 April 2007 (para 2.5)	11.3
Value of procurement breaches from 1 December 2005 to 31 August 2010	45.9

2.6 In addition, NIAO analysed the value of the procurement breaches which were first entered into by Water Service and which continued under NIW. In relation to these cases procurement expenditure of £14.8 million in total was incurred by Water Service (£11.3 million) and NIW (£3.5 million) as a result of the original breach.

2.7 The case study below illustrates a procurement breach which originated with Water Service and continued at NIW.

Case Study 1: Human Resource consultancy services
<p>Water Service Human Resource (HR) planned to appoint consultancy for the development of an organisational HR strategy, with an estimated contract value of £650,000. On 30 August 2006 Water Service HR informed the Supplies and Services Procurement Unit (SSPU) that they were awaiting DFP approval for the consultancy work; and intended to appoint a named supplier through a single tender action.</p> <p>SSPU's response, on 1 September 2006, noted the procurement options available and stated:</p> <ul style="list-style-type: none"> • under no circumstances should a direct approach be made to one supplier only; • specification should be developed internally; • tender should not be shaped to provide an advantage to one supplier - otherwise there may have been an issue of <u>conflict of interest</u>; • the procurement exercise was to be managed by SSPU; • evaluation of submitted proposals should be objective, open, fair and transparent; and

⁷ 1 December 2005 was the date from which we were able to obtain information directly (see paragraph 1.15).

- the evaluation panel should comprise at least one independent member.

On 1 September 2006 the Director of Finance stated *“it was paramount.....that we should not make a direct or single tender approach to this supplier –certainly not without going through approval with the executive team”*.

During September 2006, SSPU ran the tender using a Department of Finance and Personnel Central Procurement Division (CPD) Framework. Only two valid bids were received from 56 suppliers. The tender closed on 6 October 2006 and all tender documents were transferred from SSPU to HR.

HR then informed SSPU that the original supplier, whom they had intended to appoint through a STA, was the preferred bidder. NIAO found that, although a formal contract was not in place, the preferred bidder had commenced work by December 2006. However, by January 2007, the SSPU had not received evaluation papers or approval to award the contract. At this stage it noted concerns that the consultancy may already be underway without a formal contract being in place, breaching procurement practice and leaving NIW open to legal challenge. SSPU were subsequently advised that the tender documents had been lost in the internal mail en route from HR.

On 19 June 2007, the SSPU informed HR of the need for an approved Business Case so that the contract could be awarded. On 11 July 2007, SSPU stated to HR that it would not be defending HR actions on the tender process. We saw no evidence that SSPU formally drew these issues to the attention of either Internal Audit or the NIW Board.

NIAO’s review found no evidence of : an approved Business Case; DFP approval; or SSPU documentation, including tender documents, evaluation assessment and report, approvals or contract award letter for this consultancy work. It is also a concern that tender documents were lost; and that work began on this contract by the preferred bidder, without any formal contract award and without a rejection letter being issued to other bidders by SSPU.

We found that tender documents were lost and this work was instead carried out under an existing contract with the consultant originally proposed. Procurement Unit were not involved or informed of this decision. NIW told us that this pre-existing contract (Business Transformation Partner) had a business case that was approved by the Minister and DFP.

NIW advise that the additional procurement breach identified by the NIAO was not treated as an exception by NIW’s Internal Audit as it went through a competitive tendering exercise and furthermore PwC indicate that no services were procured under this contract. NIW told NIAO that all of the £0.5m expenditure quoted was in relation to project delivered under the Business Transformation Partnership Contract for Pay and Grading, HR IT, Performance Management, Competency Framework, Staff Reductions etc. These were all appropriately procured and approval was secured from DFP for the Business Transformation package. On this basis the £0.5m should not be treated as additional irregular expenditure.

- 2.8 In 33 of the 74 procurement breaches identified by Internal Audit, NIAO found additional breaches as a result of our wider scope. These breaches included work commencing before a contract was in place, and further examples of STAs. The additional procurement breaches included 8 potential breaches of EU Utilities Regulations, in addition to the 17 identified by

Internal Audit; 6 of the additional breaches were as a result of extending the period of our review.

- 2.9 Internal Audit had identified an additional 54 contracts valued at £8.7 million, which were extended outside the permitted contract terms. NIW advise that the reason they were not included within the irregular expenditure figure is that the audit approach it took was only to include those which had expenditure in excess of the OJEU threshold as there previously was no internal financial delegation approval requirement for contract extensions. This was addressed in the updated Financial Delegation policy issued by the organisation following the internal audits in June 2010, however this was outside of the period examined by IA. NIAO has not validated these figures and has not therefore included them in our revised total. However, these additional cases suggest that the value of procurement breaches is likely to be substantially higher than currently reported.

Summary

- 2.10 NIAO can confirm that all 74 of the cases reported by Internal Audit were procurement breaches. Internal Audit concluded there had been 17 potential breaches of EU Utilities Regulations. NIAO has since established that, on the basis of additional work we have completed, that the number of such breaches is 25.
- 2.11 Internal Audit's assessment of the cost of the procurement breaches in NIW was £28.4 million to February 2010. NIAO has identified that the total value of contracts and contract extensions that had procurement breaches, to 31 August 2010, is £34.6 million. NIAO also found that 41 of the 74 procurement breaches related to cases originating in Water Service. Procurement expenditure of £14.8 million was incurred by Water Service (£11.3 million) and NIW (£3.5 million) in relation to these 41 cases.

Part 3: Examination of Report 3 – the ‘Contracting Out’ review conducted by NIW Internal Audit

3.1 As part of our examination, we reviewed the findings of Report 3 dated November 2009 and considered whether Internal Audit findings were supported by the evidence (see paragraphs 3.6 to 3.10 below). We also considered the additional evidence provided to PAC by ‘Contracting Out LLP’ in July 2010. Where this additional material differs from the evidence provided to PAC in its Evidence Session of 1 July 2010 we have come to a view on the facts of the case (at paragraphs 3.14 to 3.24 below).

The Contracting Out appointment

3.2 The lead partner of Contracting Out⁸, Sue Holmes had, until April 2007 been engaged as Water Service’s Public Private Partnership (PPP) Director and as interim Commercial Director. Sue Holmes was a member of the Water Service Executive Team employed through an agreement with the Strategic Investment Board (SIB). She was not a Water Service employee.

3.3 On 10 April 2007, the then Chief Executive of NIW signed a ‘Master Consultancy Services Agreement’ (the Master Agreement) with Contracting Out for the supply of consultancy services relating to major contracts. The Master Agreement set out the terms under which consultancy would be provided for defined periods under a series of related schedules⁹ (see Figure 3). The Master Agreement was not itself a contract rather a framework to award contracts under. Up to March 2010, NIW paid Contracting Out £999,308. Schedule 7 accounts for £526,982 of this total.

Figure 3: Payments to Contracting Out

Schedule Number	Services	Effective Date	Payments (£000s)
1	Fundamental Review of Contract Management in NIW	29/05/2007	88
2	Provide Contract Management Services to NIW	10/04/2007	109
3	Provide Contract Implementation Services to NIW	20/12/2007	37
6	Specialist Advice and Expertise to Assist the Commercial Director	01/04/2008	189
7	Termination of the Steria Contract	06/02/2009	527 ¹⁰
8	PPP Contracts Advice	03/03/2009	49
Total			999

Source: NIW

⁸ Contracting Out LLP is a limited liability partnership registered in Northern Ireland on 3 May 2007.

⁹ Although there were nine schedules in total, Schedules 4, 5 and 9 were not activated

¹⁰ Including £200,000 final settlement (plus VAT and interest)

The purpose of the Internal Audit review

- 3.4 The Chief Executive of NIW instigated an Internal Audit review in September 2009 having been made aware, by the then Commercial Director of NIW, become aware of the unusual terms and conditions of the contract with Contracting Out. The Internal Audit review focused on the engagement of Contracting Out to provide support and advice in the termination of the Steria contract (Schedule 7). NIAO's consideration of the Steria contract is at Part 4 below. The scope of Internal Audit's review was to include the appointment, rewards structure and the approval process. Internal Audit was also to validate time and other costs billed by the contractor and consider the evidence to support the substance and value of the Steria claim. The former Commercial Director told us that he had advised the Head of Internal Audit not to review Steria evidence until work was complete. The Department told us that the Head of Internal Audit has no recollection of this and it would not have had an impact on work carried out.
- 3.5 Schedule 7 was signed by the then Commercial Director of NIW on 6 February 2009. The fee agreed was a fixed price of £250,000, plus an uncapped success bonus of 6 percent (the basis on which the bonus was to be calculated is considered at paragraphs 3.15 to 3.17 below).

Internal Audit Findings substantiated by NIAO

- 3.6 Based on the information available we were able to substantiate Internal Audit's key findings, these are set out in paragraphs 3.7 to 3.10 below.

Internal Audit Finding 1

- 3.7 Internal Audit examined the extent to which the Master Agreement complied with procurement regulations and found that:
- the Master Agreement was not time bound and a value cap was not set;
 - the award process for the Master Agreement potentially contravened EU procurement legislation and the requirements of condition F1 of the Regulatory Licence to adhere with the Utilities Contracts Regulations 2006, which required contracts estimated to exceed the EU threshold over contract life to be publicly tendered; and
 - the Master Agreement was a Single Tender Action with a potential value over £250,000 and the approval of DRD Shareholder Unit was not sought as required, under NIW's financial delegations.

NIAO agrees that the Master Agreement constitutes a potential breach of EU procurement rules. We consider that it operated as an irregular framework agreement. OGC guidance¹¹ states that "the procurement to establish a framework agreement is subject to the EU procurement rules".

Internal Audit Findings 2 and 4

- 3.8 Internal Audit examined whether Schedule 7 complied with the external approvals required for Single Tender Actions and with reward structure approvals. Internal Audit found that Schedule 7 had not been notified to the DRD Shareholder Unit for these prior approvals, as

¹¹ Office of Government Commerce (OGC) Guidance on Frameworks Agreements, September 2008

required by the NIW delegated authority limits. NIAO has confirmed Internal Audit's findings.

Internal Audit Finding 3

- 3.9 Internal Audit examined whether the award of Schedule 7 complied with internal approvals required for Single Tender Actions. While the decision to appoint Contracting Out to the Steria Termination Project was brought to the Board in December 2008, the Schedule was not approved as required by the Chief Executive. Internal Audit also reported a lack of evidence that a business case was prepared and approved by the Board, as required under NIW's financial delegations of authority. NIAO has confirmed Internal Audit's findings.

Internal Audit Finding 5

- 3.10 Internal Audit found that there was limited evidence to support elements of the £23.2 million in cost recoveries against Steria proposed by Contracting Out. NIAO agrees, that given the limited scope¹² of the Internal Audit review, the lack of relevant documentation, much of which was held by Steria, and the specialist skills required, Internal Audit could not validate the claim. Our comments on the derivation of the £23.2 million claimed are at paragraphs 3.18 and 3.19 below.

Additional Issues identified by NIAO

- 3.11 There were two aspects of the contractual arrangements with Contracting Out which we consider to be novel and contentious. Under its Governance Letter of March 2007 NIW was not required to adhere to GANI¹³ (and subsequently MPMNI). Had compliance with GANI been required DRD Shareholder and DFP approval of these arrangements would have been mandatory:
- the Master Agreement, which was analogous to a framework agreement, was unconventional in that the arrangement was not advertised and was with one supplier only; and
 - the payment of a success bonus, as set out in Schedule 7 (see paragraph 3.15), is also unconventional in the public sector.
- 3.12 Contracting Out was appointed on 10 April 2007 by the former CEO of NIW. We found no evidence of a business case to support this decision; there was therefore no consideration of alternative options for securing these consultancy services. The former CEO told NIAO that she appointed Contracting Out and there was proper consideration of the options, some consultation with appropriate colleagues and a file note to justify the decision. NIW holds limited documentation recording how the service specification, Master Agreement and Schedules had been drawn-up and by whom. The former CEO told NIAO that there was relevant documentation at the time.

¹² Specifically excluded from the scope was the 'legal and contractual validity of the cost recoveries claim proposed by Contracting Out'.

¹³ Government Accounting Northern Ireland and Managing Public Money Northern Ireland (paragraphs 2.1.7 and 3.8.3 refer).

- 3.13 The business case for Schedule 8 recommended proceeding with Contracting Out. The business case was provided by Contracting Out to NIW in an email of 3 February 2009. Contracting Out has advised us that a ‘format outline’ for this business case, without figures, was provided by them under instruction from NIW. NIW has been unable to provide us with a version which predates this draft.

NIAO Review of Additional Material provide to PAC by Contracting Out

- 3.14 Following the PAC’s Evidence Session on NIW on 1 July 2010, Contracting Out wrote to the Committee on 21 July 2010. It raised concerns that evidence provided by the DRD Accounting Officer and NIW CEO on its contractual relationship with NIW contained material errors. We reviewed Contracting Out’s concerns against the relevant documentation provided by NIW and our analysis of the key points of difference is recorded below. The Department pointed out that NIW has not had sight of Contracting Out concerns or been given right of response.

Was the 6 percent success bonus to be calculated on the basis of savings recovered or identified?

- 3.15 The Schedule 7 success bonus clause states, *‘in the event that the Consultancy identifies sufficient cost reductions and/or cost recoverable to off-set any Termination Claim made by Steria up to a max of £3m, and/or it finds grounds to negate the right to make such a claim then the Consultancy will be entitled to a bonus payment based on a percentage of any cost recoveries made once this condition has been satisfied. The Bonus Payment will be determined as 6% of any such amounts identified by the Consultancy’.*
- 3.16 In evidence to PAC, the NIW CEO emphasised, that, in his view, payment of the success bonus could have been claimed on the basis of savings identified rather than recovered. Contracting Out pointed out that this contradicted correspondence of 5 February 2010 between NIW’s General Counsel and Contracting Out, in which NIW had been clear that the success bonus was not payable until cost recoveries had been realised.
- 3.17 Contracting Out is correct to identify that, at PAC, the CEO used an interpretation of how the bonus was to be calculated which differed from that previously given by NIW’s General Counsel. We consider that the relevant clause was ambiguous (see paragraph 3.15) and lacked definitions of the key terms used. For example, the terms “cost reductions and/or cost recoverables” and “such amounts” are not defined within the contract.

What was the source of the £23.2 million identified as savings due on the Steria contract?

- 3.18 The substance of one of Contracting Out’s concerns is that the NIW CEO was in error when he told PAC that “at that point in time, the individual told us [NIW] that they had identified savings of £23 million”. The literal interpretation of the NIW CEO statement is that in September 2009, Sue Holmes had told NIW that £23 million in savings had been identified.
- 3.19 Our review of the available documentation shows that the £23 million figure first appeared in a NIW Board position paper of 22 September 2009, prepared by its legal advisors based on information provided by Contracting Out. The total of £23.2 million has two main components: £8.9 million in respect of Performance Credits and Reporting Credits and £14.3 million in respect of all other potential savings. The figure of £14.3 million first appears in a

draft letter to Steria dated 18 June 2009, on NIW headed paper, attached to an email from Jonathan Holmes of Contracting Out to the then Commercial Director of NIW. The draft letter indicates that an unspecified amount in respect of Performance Credits and Reporting Credits would also be due. The origin of the £8.9 million figure cannot be ascertained from the documentation available to us, although this amount was known within NIW as early as June 2009. NIW told us, and Contracting Out has since confirmed, that Contracting Out provided all of the figures.

Did NIW ask Contracting Out to fabricate timesheets to support the settlement?

- 3.20 NIW's Chief Executive told PAC of his unease that the potential success bonus payable to Contracting Out was 6 percent of £23 million. NIW was concerned that it was open to the "potentially serious embarrassment of a seven figure sum being paid out to a consultant¹⁴". As an alternative to the bonus, a £200,000 settlement was negotiated with Contracting Out and subsequently approved by the CEO of NIW and, subject to certain conditions, by the Permanent Secretary of DRD in October 2009. These conditions included the need for a thorough investigation of the procurement of these services and that any further payments to Contracting Out would require DRD approval.
- 3.21 Contracting Out's submission to PAC explained that, after the £200,000 settlement in respect of the bonus had been agreed, NIW refused to pay the sum due until timesheets had been submitted by Contracting Out. Contracting Out considered that NIW wished it to "fabricate" timesheets which exactly matched the offer agreed and on this basis the negotiations stalled for a time. NIW refutes Contracting Out's view that it was asked to 'fabricate' timesheets.
- 3.22 NIAO found that NIW's 22 October 2009 request for approval from DRD referred to the £200,000 settlement being "based on an estimate of time expended". This was the first reference we saw, in the papers made available to us, of the settlement being linked to time spent. NIW did request, on a number of occasions¹⁵, "some form of vouching" to support the payment. Contracting Out made clear that it did not hold timesheets, as the contract did not require this. It did however submit an invoice on 21 December 2009 which linked the settlement to fees for an additional 260 man-days between May and October 2010. Payment of £243,550 was made to Contracting Out on 30 March 2010, comprising a final settlement of £200,000, interest of £13,550 (at 8 per cent) and £30,000 VAT. The settlement was subject to a confidentiality agreement. Timesheets were not provided by Contracting Out to support the final settlement.
- 3.23 The documentation examined does not explain why NIW initially insisted on linking the £200,000 settlement to time spent; this was however the basis on which NIW had sought DRD approval. However, DRD had not made its approval conditional upon receipt of timesheets or any other validation of time spent. DRD's Accounting Officer did write to Contracting Out on 19 March 2010 stating "that it would be helpful if you could provide NIW with some further detail in relation to the work generated, dates involved etc.". NIAO found no evidence of a request from NIW to fabricate documentation.

Did the Contracting Out contract offer value for money?

¹⁴ These concerns are set out in an email from the former Commercial Director to the CEO on 14 September 2009.

¹⁵ Emails from the NIW General Counsel and Company Secretary to Contracting Out of 15 December and 16 December 2009.

- 3.24 Contracting Out submission to PAC noted the NIW CEO's comments that the rates proposed by the firm under the extension to Schedule 8 did not appear to offer good value for money and questioned the basis for this judgement. NIAO considers that it was difficult for NIW, in the absence of competition, to make any meaningful judgement about value for money.

Summary

- 3.25 Our review found that the key internal audit findings were substantiated. We found that the Master Agreement was an irregular framework agreement which potentially contravened EU Utilities Regulations and the conditions of the regulatory licence. No commitment to purchase was entered into and we found no evidence that alternative options were ever considered as each Schedule or contract was taken up. Furthermore the Master Agreement was neither time bound nor value bound and had only one sole supplier. NIAO considers that this represented a novel and contentious arrangement which, had NIW been required to comply with GANI at the time, should have been drawn to the attention of the Shareholder and DFP.
- 3.26 In addition, the Schedule 7 STA (termination of the Steria contract) had also not received the required internal or external approvals. We consider that Internal Audit lacked the evidence and specialist skills required to come to a meaningful conclusion on whether savings of £23.2 million claimed could be supported.
- 3.27 Contracting Out was correct to identify that NIW has offered differing interpretations of the basis on which the success bonus was to be calculated. We consider that the relevant clause in Schedule 7 was ambiguous and note the absence of any definitions of the key terms used.
- 3.28 At September 2009 Contracting Out estimated savings of some £23 million.
- 3.29 NIW asked Contracting Out to submit timesheets to support the settlement payment. Despite Contracting Out informing NIW that it did not have timesheets, NIW initially insisted on receiving these before the final payment could be made. There is no evidence that this was a request from NIW to fabricate the documentation. In March 2010 a settlement was reached without timesheets being provided.

Part 4: Steria

- 4.1 NIAO reviewed the relevant documentation concerning the Steria settlement and obtained details of the final settlement.

Findings

- 4.2 On 18 January 2006 Water Service awarded a contract to Xansa (Xansa was later acquired by Steria) to provide customer billing, contract handling and mobile work management services¹⁶. After the deferral of domestic water charges from 1 April 2007, there were a number of disputes, and NIW subsequently decided to terminate the contract and keep in place, via contract novation, the main subcontractors. On 16 December 2008, NIW provided Steria with 12 months notification of this termination. On 6 February 2009, NIW signed a contract with Contracting Out for advice on the termination of the Steria contract, to identify where costs could be reduced or recovered, novate and modify the subcontracts, and provide commercial assistance. NIW began to withhold payment of invoices to Steria on the basis of anticipated recoveries for claimed overcharging by Steria. This led to a series of claims and counterclaims which resulted in Steria notifying NIW that it would terminate the contract on 3 July 2009.
- 4.3 A report prepared for the NIW Board in September 2009 by NIW legal advisors set out that NIW's claim was £23.2 million plus costs of £1.5 million. NIW and Contracting Out told us that Contracting Out prepared the £23.2 million figure. Steria issued a statement of claim on 20 October 2009, claiming £13.6 million plus interest for invoices due, termination costs of £3.3 million, consequential losses of £0.6 million and all other associated costs. Mediation failed to find a solution. A trial date was set for 21 September 2010.
- 4.4 In early October 2009, NIW asked its legal advisers to consider the contract position with Contracting Out in light of its dispute with Steria. The advice was:

"NI Water needs to consider its requirements from Contracting Out beyond 31 December 2009 ... NI Water should therefore consider only extending the Schedule 7 Engagement beyond 31 December 2009 for a minimum period necessary to ensure the continued services of Contracting Out in relation to the Steria dispute ... Ideally, the extension should also include post-termination provisions to ensure continued co-operation with NI Water in relation to any ongoing legal proceedings".

Following mediation between Steria and NIW the CEO instructed the then Commercial Director to terminate the contract with Contracting Out on 2 November 2009. This was in response to the conditions under which the Department approved the settlement figure (see paragraph 3.20).

- 4.5 NIW's legal advisors also recommended that it should engage expert witnesses and forensic accountants to carry out an independent assessment of Steria's claim. Deloitte was appointed, after a tender process, on 11 January 2010 at a cost of some £389,000. NIW advised us that Contracting Out was never engaged nor could they have acted as expert witnesses and forensic accountants in any court proceedings due to their lack of independence given the existence of the success fee arrangement. Deloitte's report, dated 3 March 2010, assessed the relative strength of each element of the claims of NIW and Steria.

¹⁶ Mobile Management Services was added later to the original contract

Various outcomes were considered, one of which was that if the strongest element of each side's case was successful, NIW would owe Steria £5.3 million. The report highlighted that Deloitte needed further disclosure in relation to the dispute in order to come to a definitive view. NIW told us that further work by Deloitte did lead to a weakening of the initial assessment of the view within the March report.

- 4.6 On 10 September 2010, a settlement was agreed in which £9 million was to be paid to Steria (£10.6 million inclusive of VAT). The settlement broadly represented £8 million for invoices that were due and £1 million in interest. NIW also paid £2.1 million to a subcontractor, in respect of amounts Steria owed to that company, and which otherwise would have formed part of the settlement. In addition, NIW agreed to pay Steria's reasonable legal costs, to be assessed by the High Court if not agreed. Reasonable legal costs have not yet been agreed. The settlement was on the basis of legal advice and approved by the Board. The settlement was subject to a confidentiality agreement.
- 4.7 In recommending the settlement NIW's legal advisors stated that "[there] *were also issues for NIW in evidencing all its heads of claim as some of the key witnesses were not NIW employees and were unwilling to assist NIW by giving evidence. These witnesses would have had to be compelled to attend trial against their will, calling into question whether they would have assisted NIW as fully as might otherwise be the case*". Contracting Out told NIAO that they had made it clear to the CEO, NIW General Counsel and DRD Permanent Secretary that they were willing to assist but were never asked to testify. This was confirmed by the former Commercial Director. NIW advised that one of the key witnesses for it was a consultant who had put on record that he was not willing to give evidence.
- 4.8 NIW told NIAO that it would be misleading to conclude that difficulties with witnesses was the main driver for settling this matter. In NIW's view the main driver was the forensic analysis and expert witness opinion that Deloitte produced.

Summary

- 4.9 The settlement agreed with Steria was for £9 million plus VAT of £1.6 million, £10.6 million in total representing amounts previously withheld from Steria plus interest. As part of the settlement NIW also paid £2.1 million to a subcontractor, in respect of amounts Steria owed to that company. In addition, NIW agreed to pay Steria's reasonable legal costs.
- 4.10 NIW's legal advisors pointed out that NIW would have difficulty in evidencing its claim as some of the key witnesses were not employees and were unwilling to give evidence which may have had a negative impact upon their case. NIW told us that the main driver for settling was as noted above, the forensic analysis and expert witness opinion. NIAO saw no evidence that, in view of the potentially detrimental impact of the decision to terminate its contract with Contracting Out, it had been subject to a comprehensive risk analysis.

Part 5: The Financial Control Environment at NIW

- 5.1 During NIAO's examination of the procurement breaches as identified by Internal Audit (see paragraph 1.8) we found a number of serious underlying control weaknesses.

Significant omissions in internal financial delegations in NIW

- 5.2 NIAO found that significant internal financial delegations had not been in place since April 2007. External¹⁷ financial delegations had not been incorporated into NIW's guidance at 1 April 2007 and were only incorporated on 1 April 2008. DRD told us that in the first quarter of NIW's existence the Shareholder Unit saw evidence of NIW's compliance with the new governance arrangements/financial delegations, and Assurance Statements were provided to it by NIW for 2007-08 and 2008-09. DRD said these demonstrate the assurances provided in relation to amongst other things financial delegations to the Department.
- 5.3 NIAO identified fundamental deficiencies in internal Financial Delegations and these are illustrated at Figure 4 below.

Figure 4: Omissions from Financial Delegations

Financial Delegations	Period			
	1 Apr 07 to 31 Mar 08	1 Apr 08 to 31 Oct 09	1 Nov 09 to 7 Jun 10	8 Jun 10 onwards
Approval levels for approving and signing new contracts	x	x	✓	✓
Authority levels for approving and signing planned and extraordinary extensions of existing contracts	x	x	x	✓

Source: NIAO from NIW Financial Delegations

✓ = financial delegations in place

x = no financial delegations

- 5.4 Our review found that NIW did not introduce internal financial delegations until 1 April 2008¹⁸. NIW told us that they carried over the old Water Service procedural manual and these, including internal financial delegations, were available to all staff through the NIW intranet. NIW told us that on 1 April 2007 the policies which had been applied within Water Service were to a large extent carried forward to the new company. The intranet remained the recognised repository of main policies of NI Water as it had been in Water Service. The intranet was also the main means of communication of policies to staff. There was no need to send a separate communication in relation to the Financial Delegations at 1 April 2007.
- 5.5 NIAO found that the financial delegations, introduced in 1 April 2008, were not complete. NIW did not have, in our view, sufficient financial delegations setting out authority levels for approving new contracts until 1 November 2009¹⁹ and authority levels for planned options to extend contracts were not in place until 8 June 2010²⁰. It is evident from our validation of

¹⁷ DRD introduced external financial delegations from 1 April 2007 which required NIW to seek departmental approval for certain actions.

¹⁸ NIW Financial Delegations FRXXX from 1 April 2008

¹⁹ NIW Financial Delegations FR009 from 1 November 2009

²⁰ NIW Financial Delegations FR009 from 8 June 2010

the 74 procurement breaches and from discussion with business unit staff that financial delegations were not effectively communicated, followed and enforced.

- 5.6 NIW strongly disagree with paragraphs 5.2 to 5.5 above on the basis that financial delegations were in place from April 2007. NIW state that it has provided evidence to NIAO to demonstrate this. NIW also state that it has provided evidence that approval levels for new contracts and approving contract extensions were incorporated in the Tendering and Quotes Procedure that was in place within Water Service and NIW until the new Procurement Manual was issued in 2010 to all staff. NIAO has carefully considered all the evidence provided and remains of the view that there were significant omissions in the financial delegations.
- 5.7 There is a requirement under EU Utilities Regulations to aggregate spend on goods and services which have similar characteristics and are for the same type of goods and services. NIAO found evidence that staff across business units had not considered aggregation. We were informed by business unit staff that where spend was not aggregated, and contracts were not put in place, this did not mean that there was a total absence of tendering. Business Units told us that they were obtaining a number of quotations (three or four depending on the expenditure on the individual case) for supplies and services. When we sought evidence of the relevant number of quotations, as required by the financial delegations, it was not always available.
- 5.8 It became clear to us, through meetings with the business unit staff, that they considered they were applying the correct level of purchase control procedures at the time. Staff believed that the requirement, from 1 April 2008, to consider whether there was an aggregate spend of over £30,000, only applied to specific goods or services and not necessarily to one supplier. They also believed that it related only to goods or services that were purchased locally and not to NIW as a whole. NIW staff also told us that they did not have the relevant financial information to monitor this, especially where more than one unit was involved. There was also little evidence that spending on each case was monitored or assessed, either through the use of manually or electronically held data. Contract extensions were not monitored or controlled. NIW informed us that expenditure reports by supplier and Business Unit were always available even in the absence of an automated system. NIAO considers that if the reports had been used procurement breaches could have been prevented.
- 5.9 The NIW Financial Delegations required all STAs over £250,000 to be approved by the Shareholder Unit with any under that limit requiring CEO approval. There was no evidence of any of the STA cases under £250,000 within the 74 cases being referred by Senior Management to the CEO for approval.

Role of Procurement

- 5.10 NIAO consider that the Operational Procurement Unit has not always followed best practice in a number of other areas. We noted instances of poor records management. The Unit had also authorised 17 extensions requiring competitive tendering (see Case Study 2) and signed award letters after the commencement of the contract period.

Case Study 2:**Irregular extensions of contract beyond original award periods.**

The original contract (£0.5 million) for the recruitment of temporary staff was advertised in OJEU in 2004 and authorised appropriately by the Director of Corporate Services within Water Service. There were two valid options to extend which were both authorised by the Procurement Unit, the second option took the contract beyond 1 April 2007 when NIW was set up.

There then followed three extensions requiring competitive tender. The first two were approved by a consultant working in Procurement Unit, and the third extension was authorised on an ongoing monthly basis by a second consultant, also working in the unit.

Four of the five contract extensions were signed after the contract extension period commenced.

- 5.11 Both Water Service and NIW employed a high number of external personnel in roles ranging from relatively junior positions to senior posts. On the transfer to NIW in 2007, a range of posts became vacant as individuals took the option to remain within the Northern Ireland Civil Service (of which Water Service staff were part). The posts were filled through a mix of external consultants, staff substitutions, contractors, and temporary staff. In some cases, external personnel were employed by NIW for significant periods of time, while others were employed in a range of roles throughout the organisation. This was very evident in the Procurement Unit.
- 5.12 NIAO found that (during the period April 2007 to December 2009) at least three Procurement Unit posts out of approximately eight were consistently filled by external staff from a recruitment agent. Between 1 April 2007 and 31 March 2008, there were also twelve PricewaterhouseCoopers (PwC) consultants working on transformation projects within the Procurement Unit. PwC informed us that their staff were not involved in 'business as usual' activities within the Procurement Unit.
- 5.13 Consultants were selected to temporarily fill vacancies, put in place proper controls and systems, and transfer knowledge to NIW staff. The Procurement Unit's reliance on consultants over the years has created a level of dependency. NIAO found instances where consultants were retained for up to 4 years. Indeed we found seven instances where unapproved extensions were signed off by consultants working in the Procurement Unit.

Poor contract management and records management.

- 5.14 NIAO identified serious instances of poor record management, where key documents such as contract awards/extension letters, tender documents, and business cases were not available on file and in two cases (with spend of £12.2 million), key contract documentation was missing at the time of our review. Much of this material was provided, in the form of photocopies, on the day before this report was finalised. In a third case, the tender documents had been lost in the internal post before a contract could be awarded (see Case Study 1).
- 5.15 NIW introduced an electronic ordering and contract management system for capital expenditure from 1 April 2007. A similar system for supplies and services was not operational until September 2009. An electronic ordering system introduces automated

controls that require all payments to have been approved in accordance with financial delegations, which may have detected and prevented procurement breaches. In the absence of such a system, compensatory robust manual controls should have been in place to provide the level of control and assurance, but were not present in NIW.

Conflicts of Interest

5.16 In validating the procurement breaches identified by Internal Audit, we found a number of cases where there were unacceptable conflicts of interest. These included:

- an external consultant employed by NIW provided work to their own firm (see Case Study 3); and
- a supplier prepared the design and specification of services, subsequently this supplier was the only bidder and was awarded the contract.

Case Study 3 : Conflicts of Interest

In 2006, Water Service entered into an agreement with a specialist recruitment agency, for a consultant to act as leader on a transition project. However, there was no evidence of a contract with this supplier on NIW's files. In April 2007, when additional 'temporary staff' were required, the consultant recommended recruiting five staff from the agency. At least three people from this firm were employed. In one case, the 'contract schedule' was signed by the consultant, acting as NIW 'Client representative'.

As there was no approval document, it is unclear who authorised the employment of the remaining 2 contractors. NIW thought that they were employed under the Human Resource Framework Contract in place at that time, but this agency did not appear on the framework.

NIAO confirmed that, as there was no business case or contract in place, this case was an OJEU 'Notice' exception (requiring a notice of award for PART B Service). A total of £500,500 was paid.

Lack of awareness and enforcement of financial controls

5.17 EU Utilities Procurement Regulations permit non-competitive contracts (Single Tender Action contracts) when the supplier is the sole supplier of certain goods and services. However, NIAO found no evidence, other than the Business Unit's view, that the suppliers in question are sole suppliers. In one of the cases examined, we found that around £1 million was spent on parts:

- without a contract in place;
- where there had been no proper competition; and
- where expenditure was in excess of EU thresholds.

There are significant value for money risks where staff assume that providers of maintenance parts or services were sole suppliers.

5.18 NIAO also found two contracts where appropriate tendering procedures had been circumvented by Business Unit staff. In these cases, staff engaged suppliers based on the subjective quality/reputation of the supplier.

The 'Invoice Slicing' Investigation

5.19 In April 2010, Internal Audit completed an investigation into suspected fraud involving potential collusion between NIW staff and a supplier referred to as 'Company E'. The case was identified during Internal Audit's review of Contract Approvals. The review had found that the contract extension in this case was a potential breach EU procurement regulations and Licence requirements.

5.20 Although the investigation did not find evidence of fraud, it did confirm the "deliberate attempt to circumvent financial delegations" on the part of two members of staff which represented "a serious breach of duty". Internal Audit also found wider control issues including:

- lack of evidence to support payments;
- no proper contract;
- expenditure outside budget approvals;
- insufficient information on the invoice;
- no physical checking of work; and
- no challenge function exercised.

The subsequent disciplinary process into the actions of the two employees concerned resulted in no disciplinary action being taken.

5.21 NIAO reviewed the methodology employed by NIW in this suspected fraud investigation. Our view is that, to a significant extent, NIW failed to follow good practice and its own Fraud Response Plan in the conduct of this investigation. For example, NIW's Fraud Response Plan requires that an investigation addresses all aspects of the suspected officers' work and not just the area where the fraud was discovered, this did not happen in this case. NIW disagrees with this and states that the Fraud Response Plan was followed.

5.22 NIAO is aware that the DRD Shareholder Unit was uncomfortable with the choice of the NIW Director of Asset Management as the 'independent director' charged with overseeing the investigation²¹. The Head of Internal Audit also expressed reservations that NIW allowed management to investigate proven or suspected fraud incidents²². NIAO considers that significant wider issues arise from this case in relation to the proper conduct of fraud investigations, and we intend to report separately on this matter.

Out of Court Settlements/Confidentiality Clauses

5.23 As a result of our review NIAO identified a number of out of court settlements agreed by NIW, which all contained confidentiality clauses. These included a settlement of a procurement breach, settlement of the bonus payment to Contracting Out, the Steria

²¹ Minutes of Quarterly Shareholder Meeting of 3 February 2010

²² Minutes of Quarterly Shareholder Meeting of 21 May 2010

settlement and a payment to another public body. The Department told us that it was aware that a confidentiality clause had become a common feature of commercial agreements at NIW and had, in one particular case, insisted that an additional clause was inserted to permit disclosure in the event of receiving a Northern Ireland Assembly question.

- 5.24 DRD approval for the payments was required, and provided, in all cases. In one instance we note that a copy of the settlement was attached to the request for approval. DRD approved this with the knowledge that it contained a confidentiality clause.

Summary

- 5.25 The issues raised in this section represent significant weaknesses in the financial control environment at NIW:

- NIAO found that an adequate control environment was not established, on the formation of NIW. The fact that NIW did not review and revise Water Service financial delegations for a full year of operation is a major governance failure;
- When NIW issued financial delegations in April 2008 they were incomplete. Authority levels for approving contract extensions were not introduced until June 2010;
- Financial Delegations were not effectively communicated, followed and enforced;
- Proper procurement procedures were not followed by the Procurement Unit and by other business areas for goods and services; and
- The Procurement Unit did not bring significant procurement breaches to the attention of Internal Audit or the Board.

- 5.26 NIAO considers that the Procurement Unit was not adequately resourced following the transfer of Civil Service staff back to NICS, on creation of NIW. This situation led to an over dependency on consultants within the Unit. The appointment of consultants should have been time-bound, and there should have been a planned transfer of knowledge and expertise. Instead, we have seen instances in which consultants were retained for up to 4 years and were signing irregular contract extensions.

Appendix 1

Analysis of NIAO Examination by case

Contractor	Description	Internal Audit Figure Total Expenditure (post 1 April 2007)	Internal Audit Figure External Irregular Expenditure (i.e STAs > 250k without DRD approval and Potential OJEU/Utilities Contracts regs breach) (post 1 April 2007)	Internal Audit Figure Internal Irregular Expenditure (£ (post 1 April 2007) (e.g. Non compliance with internal controls)	Reason for irregularity/ location within the I.A. Reports (See Key Below)	NIAO unapproved expenditure figure for the same period covered by IA	Extension of unapproved expenditure to 31 August 2010	Total unapproved expenditure figure from 1 April 2007 to 31 August 2010	Unapproved expenditure Pre 1 April 2007	Breaches which originated in Water Service and continued until a subsequent breach occurred in NIW	Contract in Place?	Original Contract Signature Date	NIW Signature & Position	Level as per FD's	Extension Date	NIW Signature & Position	Level as per FD's	Breach Date	Invoices authorised by/position
1 Atkins	Project Management Services for the Water Rehabilitation Programme (Construction Stage)	2,817,171	2,817,171	0	OJEU Exception - Unapproved Contract Extension/1	3,602,504 *	0	3,602,504	5,138,354	6,866,118	Yes	12/03/1999	Director	not covered by FD's	(1) 12/3/2002 - 12/3/2004 (No evidence contract extension award letter) Photocopy subsequently supplied by NIW. (2) 11/02/04 (3) 6/12/2005 (4) Capital procurement - project management construction 12/3/2007 - 31/3/2008 (5) 7/1/2008	(1). No evidence of contract extension award letter. Photocopy subsequently supplied by NIW. (2) Water Procurement Unit official (3) Water Procurement Unit official (4) Water Procurement Unit official (5) Level 3	Not covered by FD's	12/03/2002	N/a
2 Various suppliers (W O'Kane, KPL Contracts, Noel Monaghan Contracts, Lowry Bros Ltd, Morrow Contracts, Sean Murphy)	Minor Civil Engineering Works	2,769,713	2,769,713	0	Potential OJEU Exception - Unapproved Contract Extension/2	2,769,713	0	2,769,713	1,583,640	2,293,145	Yes	10/05/2004	Senior Purchasing Manager	not covered by FD's	(1) Irregular extension - 6 months to 30th Sept 2006 (2) Irregular extension - 6 months to 31st March 2007 (3) Irregular extension to 30th Sept 2007 (4) Irregular extension to 30th June 2008 (5) Irregular extension to 1st Oct 2010	(1) Senior Procurement Official (2) Procurement Unit Official (4) Procurement Unit Official Not signed (5) Procurement Unit Official (6) Senior Procurement Official	Not covered in Fds	01/04/2006	N/a
3 Atkins	Project Management Services for the Water Rehabilitation Programme (Construction Stage)	2,637,744	2,637,744	0	Potential OJEU Exception - Unapproved Contract Extension/2	1,647,072 *	39,820	1,686,892	0	0	Yes	as 1. above	as 1. above	as 1 above	as 1. above	as 1. above	as 1 above	as 1. above	N/a
4 Kennedy Recruitment	Recruitment of temp staff - contract extension beyond permitted contract period (no longer in use)	2,378,362	2,378,362	0	Potential OJEU Exception - Unapproved Contract Extension/2	2,378,362	0	2,378,362	0	0	Yes	11/05/2005	Senior Purchasing Manager	Not covered by FD's	(1) 20/02/08 (2) 11/09/08 (3) 06/05/09	(1) L4 Consultant (2) L4 Consultant (3) L6 Consultant	Not covered by FD's	01/10/2007	n/a
5 Various suppliers – C057 Light Mechanical maintenance, fabrication and repair work	Contract extension beyond permitted contract period	1,675,807	1,675,807	0	Potential OJEU Exception - Unapproved Contract Extension/2	1,675,807	1,210,000	2,885,807	0	0	Yes	06/09/2005	Senior Procurement Official	Not covered by FD's	(1) 9/10/2008 (2) Post Nov 2008 (3) 09/07/10	(1) Senior Procurement Official (2) No documentation (3) Senior Finance & Regulation official	Not covered by FDs	07/10/2008	N/a
6 PwC	Contract Management Office Support - staff substitution, represents 2 separate STAs over £250k	1,281,188	823,152	458,036	STAs potentially breaching OJEU Regulations/ 3 & 5	1,281,188	318,540	1,599,728	78,750	78,750	No	n/a	n/a	n/a	n/a	n/a	n/a	29/03/2007	N/a

* The original internal audit figures were subject to change due to the lack of information available to support the figures. Internal Audit provided updated figures during our examination.

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7 Orion Engineering Services	Supply of technicians for telecoms and telemetry - contract extension beyond permitted contract period	1,237,699	1,237,699	0	Potential OJEU Exception - Unapproved Contract Extension/2	1,237,699	69,662	1,307,361	557,798	557,798	Yes	01/06/2001	Award letter unsigned	not covered by FD's	(1) 07/06/06 to 31/03/07 (2) 01/04/07 to 30/06/07 (3) 01/07/07 to 31/12/07 (4) 01/01/08 to 31/03/08 (5) 01/04/08 to 30/06/08 (6) 01/07/08 to 31/12/08 (7) 01/01/09 to 28/02/09 (8) One month rolling basis To 29/05/09	No evidence or letter unsigned for all extensions with the exception of Irregular extension 6,7,8 (which was signed by Level4 Consultant) and 9.	not covered by Fds	07/06/2006	n/a
8 Various suppliers – C241 supply, delivery, installation and repair of submersible pumps	Contract extension beyond permitted contract period (no longer in use)	657,151	657,151	0	Potential OJEU Exception - Unapproved Contract Extension/2	2,097,391	0	2,097,391	0	0	Yes	30/03/2005	Senior Purchasing Manager	not covered by FD's	(1) 23/02/07 (2) 20/06/07	(1) Level 6 Consultant (2) Level 6 Consultant	not covered by FD's	23/02/2007	n/a
9 Northsec Security	Provision of security guarding – contract extension beyond permitted contract period	654,155	654,155	0	Potential OJEU Exception - Unapproved Contract Extension/2	654,155	391,321	1,045,476	0	0	Yes	27/10/2005	Senior Procurement Official	not covered by FD's	(1) 23/09/08 (2) 30/6/2009 - 12/10/2009	(1) Senior Procurement Official (Unsigned) (2) No documentation	not covered by FD's	23/09/2008	N/a
10 Enterprise Managed Services Ltd	Metering installations and maintenance - contract extension outside of the permitted contract period terms	647,357	647,357	0	STA Contracts potentially breaching OJEU Regulations/3	647,357	220,133	867,490	0	0	Yes	25/01/2007	Senior Procurement Official	not covered by FD's	(1) 1/5/2009 (2) 20/4/10	(1) Unsigned (2) Procurement Unit official.	Not covered by NI Water's FD Procedure s	01/05/2009	N/a
11 PwC	HR Resourcing Partner	528,199	528,199	0	STAs not authorised/4 - Potentially breaching OJEU regulations	554,208	0	554,208	176,327	730,535	Yes	26/07/2007	Senior Human Resources Official	not covered by FD's	n/a	n/a	n/a	14/08/2006	N/a
12 Various suppliers – C018 Collection, transportation and disposal of controlled waste by Skips	Contract extension beyond permitted contract period (no longer in use)	483,510	483,510	0	Potential OJEU Exception - Unapproved Contract Extension/2	483,510	0	483,510	315,265	798,775	Yes	09/07/2003	Senior Purchasing Manager	not covered by FD's	15/5/06	Level 5 Procurement Unit official	not covered by FD's	15/05/2006	n/a
13 SIAE UK	Supply and delivery of digital microwave radio equipment	441,085	441,085	0	STA Contracts potentially breaching OJEU Regulations/3	453,310	0	453,318	0	0	Yes	29/04/2004	Senior Purchasing Manager	not covered by FD's	(1) 15/2/07 (2) 13/12/07 (3) 14/3/08	(1) Level 5 Procurement Unit Official (2) Procurement Unit Official (3) Unsigned	not covered by FD's	01/04/2007	n/a
14 Flow Technology Services	Wastewater, M&E - Sole agents in Northern Ireland for the supply of Rotork Actuators	428,341	428,341	0	STAs not authorised/4	428,341	73,298	501,639	162,168	162,168	No	N/a	N/a	N/a	N/a	N/a	N/a	15/12/2005	Various staff across various business units
15 Huber Technology	Various proprietary machinery, maintenance and parts for M&E, E&P and Wastewater	403,143	403,143	0	STAs not authorised/5	403,143	117,573	520,716	578,481	578,481	No	N/a	N/a	N/a	N/a	N/a	N/a	27/03/2006	Various staff within Waste water and M&E Business Units

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16	AON Risk Services	Claims Handling Support	361,818	361,818	0	STAs not authorised/6	542,332	0	542,332	0	0	Yes	27/03/2007	Senior Procurement Official	not covered by FD's	(1) 04/04/08 (2) 24/06/09	(1) No signatures (2) Level 4 Procurement Unit Official	not covered in Fds	04/04/2008	n/a
17	Dundas & Wilson	Provision of legal advice - contract extension beyond permitted contract period	347,161	347,161	0	Potential OJEU Exception - Unapproved Contract Extension/2	787,972	548,303	1,336,275	0	0	Yes	05/09/2006	Senior Procurement Official pp'd by EOII Procurement Unit official	not covered by FD's	(1) 12/09/08 (2) 23/03/09	(1) Procurement Unit Official (2) Level 4 Procurement Unit Official	not covered by FD's	12/09/2008	N/a
18	Helm Corporation Ltd	Consultancy for shared services and Operational Procurement - Contract extension beyond permitted contract period (no longer in use)	329,949	329,949	0	Potential OJEU Exception - Unapproved Contract Extension/2	416,400	51,919	468,319	0	0	Yes	10/04/2006	Senior Procurement Official	not covered by FD's	01/04/2007	Unsigned and undated	not covered by FD's	01/04/2007	N/a
19	Intapeople	IT helpdesk support, staff substitution	297,630	297,630	0	STAs not authorised/4 - Potentially breaching OJEU regulations	297,630	0	297,630	202,875	202,875	No	N/A	N/A	N/A	N/A	N/A	N/A	01/10/2006	Senior ICT official
20	CJJM Partnership	Interim Head of function	272,432	272,432	0	STAs not authorised/4	272,432	0	272,432	0	0	No	N/a	N/a	N/a	N/a	N/a	N/a	03/09/2007	Various staff within Operations Policy and Networks Sewage business units
21	Eimco Water Technologies Ltd	Proprietary product: M&E and wastewater, special parts	271,889	271,889	0	STAs not authorised/4	271,889	49,297	321,186	36,038	36,038	No	N/a	N/a	N/a	N/a	N/a	N/a	18/01/2006	Various staff within Wastewater; M &E Business Units
22	Mobile & Separation Equipment Ltd	Hire of mobile decanter for deployment of incinerator	270,338	270,338	0	STAs not authorised/5	270,338	0	270,338	0	0	No	N/a	N/a	N/a	N/a	N/a	N/a	30/09/2008	Wastewater Manager
23	IT Project Recovery Ltd	Resourcing -staff substitution program management support	476,669	252,818	223,851	STAs not authorised/5	476,669	62,538	539,207	242,136	242,136	No	n/a	n/a	n/a	n/a	n/a	n/a	28/11/2005	Various officials within Transformation and ICT business units
24	Pentagon	Business case specified that tendering was to be performed however this was awarded as STA - approved by Director but not CEO	151,130	0	151,130	STAs not authorised/6	151,130	0	151,130	0	0	Yes	03/07/2008	Senior Procurement Official	not covered by FD's	N/a	n/a	n/a	09/07/2008	N/a
25	PWC	Resourcing - Staff substitution for Billing and Revenue secondments. There were a number of STAs none went over the 250k approval limit	433,501	0	433,501	STAs potentially breaching OJEU Regulations/ 3 & 5	372,158	0	372,158	11,000	11,000	No	n/a	n/a	n/a	n/a	n/a	n/a	04/07/2007	N/a

Appendix 1

Analysis of NIAO Examination by case

Contractor	Description	Internal Audit Figure Total Expenditure (post 1 April 2007)	Internal Audit Figure External Irregular Expenditure (i.e STAs > 250k without DRD approval and Potential OJEU/Utilities Contracts regs breach) (post 1 April 2007)	Internal Audit Figure Internal Irregular Expenditure (£ (post 1 April 2007) (e.g. Non compliance with internal controls)	Reason for irregularity/ location within the I.A. Reports (See Key Below)	NIAO unapproved expenditure figure for the same period covered by IA	Extension of unapproved expenditure to 31 August 2010	Total unapproved expenditure figure from 1 April 2007 to 31 August 2010	Unapproved expenditure Pre 1 April 2007	Breaches which originated in Water Service and continued until a subsequent breach occurred in NIW	Contract in Place?	Original Contract Signature Date	NIW Signature & Position	Level as per FD's	Extension Date	NIW Signature & Position	Level as per FD's	Breach Date	Invoices authorised by/position	
26	Bespoke Performance Management Limited	Resourcing - Staff substitution for 3 roles. None of the roles over 250k approval limit	327,702	0	327,702	STAs not authorised/ 7	327,702	72,017	399,719	0	0	No	N/a	N/a	N/a	N/a	N/a	01/08/2007	Senior ICT official	
27	RMS Enterprises Ltd	Resourcing - Staff Substitution for MWM Project Manager	219,583	0	219,583	STAs not authorised/5	219,583	30,281	249,864	0	0	Yes	23/04/2008	Senior HR Official	not covered by FD's	undated	Director	not covered by FD's	01/04/2007	n/a
28	Northern Ireland Computing Ltd	Resourcing for Telemetry Technicians, SCADA Technicians, SCADA Services, SCADA touchscreen	222,551	0	222,551	STAs not authorised/5	222,551	101,876	324,427	0	0	No	N/a	N/a	N/a	N/a	N/a	25/09/2008	Level 4 ICT	
29	CLN Solutions Ltd	Two pieces of work: Review of internal controls and appointment of SQL. Neither piece of work breached the 250k limit for DRD approval	286,000	0	286,000	STAs not authorised/5	286,884	48,159	335,043	0	0	Contract signed by CEO however this was not countersigned by Contractor. No tendering carried out.	05/01/2009	CEO	Interim CEO	n/a	n/a	05/01/2009	Not identifiable from information provided	
30	MCG Services (NI) Ltd	Resourcing - Customer & Operations Programme Manager	208,865	0	208,865	STAs not authorised/5	208,865	28,925	237,790	0	0	Yes	(1) 25/4/08 (2) 10/2/09 Two separate contracts	(1) Senior HR Official (2) Director	not covered by FD's	none	n/a	n/a	01/04/2008	n/a
31	FL Smidth Kock GMBH	Parts for cake transfer conveyor / survey of conveyors relating to machinery in wastewater.	172,402	0	172,402	STAs not authorised/5	172,402	7,964	180,366	28,670	28,670	No	n/a	n/a	n/a	n/a	n/a	23/11/2006	Wastewater Official	
32	Crumlin Plant Sales Ltd	Procurement for parts and repairs	168,816	0	168,816	STAs not authorised/5	169,261	30,915	200,176	33,704	33,704	No	N/a	N/a	N/a	N/a	N/a	15/12/2005	Networks Official	
33	OLLAVE LTD	Xansa ICT procurement support	22,800	0	22,800	Business Case not approved/8	21,660	0	21,660	0	0	No	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
34	AON Risk Services	Insurance Brokerage for NIW. Business case was not signed by Director	50,000	0	50,000	Business Case not approved/9	126,510	50,000	176,510	60,474	60,474	Yes	21/12/2007	Senior Procurement Official	n/a	N/a	N/a	02/03/2007	Senior Corporate Services Official	
35	Grontmij Ltd	Appointment of IT Contractors - 3 business cases where 2 were only signed by interim CIO. Required CEO signatory.	20,000	0	20,000	Business Case not approved/9	25,212	0	25,212	0	0	No	n/a	n/a	n/a	n/a	n/a	21/01/2009	Director	

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36	AH Fuel Oil Ltd	Purchase of heating oil for depots. Premise officer believed contract in place however procurement confirmed no contract in place	227,637	0	227,637	STAs not authorised/4	246,502	0	246,502	748,809	748,809	No	N/a	N/a	N/a	N/a	N/a	15/12/2005	Various staff approved invoices from various business units	
37	Alexander HR	Recruitment agency for HR interims and charges for both HR and Asset Management. No evidence of more than one agency being contacted.	219,104	0	219,104	STAs not authorised/4	219,104	0	219,104	9,000	9,000	No	N/A	N/A	N/A	N/A	N/A	20/12/2005	Human Resources Manager	
38	Ashbrook Simon - Hartley Ltd	Specialist proprietary equipment for Simon Hartley screens. Parts obtained through raising quotations.	204,194	0	204,194	STAs not authorised/4	204,194	44,639	248,833	12,885	12,885	No	N/a	N/a	N/a	N/a	N/a	16/01/2008	Various Staff within M&E business unit	
39	Vector Resourcing	No evidence of competition for recruitment for staff substitution role within MWM project no evidence of competitive exercise to recruit	182,560	0	182,560	STAs not authorised/4	182,560	36,500	219,060	0	0	No	N/A	N/A	N/A	N/A	N/A	23/08/2007	Various staff across various business units	
40	G2 Environmental Services Ltd	Specialist services to assist in clean up after flooding and pollution incidents.	158,517	0	158,517	STAs not authorised/4	158,517	0	158,517	23,654	23,654	No	N/a	N/a	N/a	N/a	N/a	26/06/2007	Various staff within Networks Sewerage	
41	DP Contracting	IT helpdesk support, staff substitution	158,852	0	158,852	STAs not authorised/4	158,852	15,210	174,062	15,210	15,210	No	N/a	N/a	N/a	N/a	N/a	26/02/2007	Various staff across various business units	
42	NEUDEA	Staff Substitution - test consultants and for HR IT project	154,397	0	154,397	STAs not authorised/4	154,397	0	154,397	0	0	No	N/A	N/A	N/A	N/A	N/A	29/06/2007	Director	
43	Irwins Quality Aggregates	Contract extended 31/03/08, expenditure continued outside of contract period and contract not extended by Procurement	117,044	0	117,044	STAs not authorised/4	117,044	24,583	141,627	0	0	Yes	(01/04/03 to 31/03/05, extended 31/03/08)	Unknown	n/a	extended 01/04/05 to 31/03/08 within contract terms. Ad hoc expenditure after this date	Unknown	n/a	01/04/2008	Various staff within Water Supply
44	Ntuition Ltd	Staff substitution - Interim Head of TAM. No internal Approvals	106,600	0	106,600	STAs not authorised/4	106,600	0	106,600	0	0	No	N/a	N/a	N/a	N/a	N/a	03/11/2007	Director	
45	Eden Decorators	Expenditure continued outside of contract period and contract not extended by procurement. No internal Approvals	93,280	0	93,280	STAs not authorised/4	93,280	20,839	114,119	0	0	Yes	01/03/2004	Senior Purchasing Official	not covered by FD's	01/04/06 to 31/03/07	No evidence of contract extension award letters.	Not covered by FDs	01/04/2007	Various staff across various business units

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46	Practical Planning Ltd	79,560	0	79,560	STAs not authorised/4	79,560	0	79,560	0	0	No	N/a	N/a	N/a	N/a	N/a	N/a	30/11/2007	Various staff within Operations Policy Section.
47	TUV NEL Ltd	37,960	0	37,960	STAs not authorised/4	37,960	3,203	41,163	0	0	No	N/A	N/A	N/A	N/A	N/A	N/A	02/04/2007	M & E
48	MTA Components	36,582	0	36,582	STAs not authorised/4	36,582	13,780	50,362	1,124	1,124	No	N/A	N/A	N/A	N/A	N/A	N/A	22/12/2005	Various Staff within M&E business unit
49	Develop Training Ltd	32,207	0	32,207	STAs not authorised/4	32,207	0	32,207	14,845	14,845	No	N/A	N/A	N/A	N/A	N/A	N/A	15/12/2008	Various officials within Customer Systems Unit
50	NUDEA	30,000	0	30,000	STAs not authorised/4	30,000	0	30,000	0	0	No	N/A	N/A	N/A	N/A	N/A	N/A	12/10/2009	Senior Communications Manager
51	Micronics Filtration	163,621	0	163,621	STAs not authorised/4	163,621	1,704	165,325	50,002	50,002	No	N/A	N/A	N/A	N/A	N/A	N/A	16/03/2006	Various Officials within Water Supply West
52	Valtork	150,927	0	150,927	STAs not authorised/4	150,927	17,221	168,148	116,205	116,205	No	N/A	N/A	N/A	N/A	N/A	N/A	22/12/2005	Various officials within M&E Business Unit
53	Saville Machinery	129,234	0	129,234	STAs not authorised/4	129,234	9,758	138,992	99,910	99,910	No	N/A	N/A	N/A	N/A	N/A	N/A	11/07/2005	Various officials within Transport Management Group
54	Oeltechnik	120,156	0	120,156	STAs not authorised/4	120,156	0	120,156	0	0	No	n/a	n/a	n/a	n/a	n/a	n/a	01/12/2009	Wastewater officials
55	Serck Control Ltd	119,796	0	119,796	STAs not authorised/4	27,420	12,556	39,976	0	0	Yes - C090	01/04/06 to 31/03/08	Senior procurement official	not covered by FD's	01/04/08 to 31/03/09 Ad hoc period 01/04/09 to 30/06/09 01/07/09 to 30/06/10	(1) Procurement Consultant (2) Level 3 ICT	not covered by FD's	01/04/2009	A range of staff - within a range of business areas
56	Trojanuv Technologies UK Ltd	91,004	0	91,004	STAs not authorised/4	91,004	664	91,668	0	0	No	N/a	N/a	N/a	N/a	N/a	N/a	19/12/2007	ICA and M&E Officials
57	JP Corry (NI) Limited	84,362	0	84,362	STAs not authorised/4	84,362	180	84,542	15,913	15,913	No	n/a	N/a	N/a	N/a	N/a	N/a	14/11/2005	Various staff - within M&E and Water Supply business units

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Analysis of NIAO Examination by case

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58 BC Plant Ltd	Proprietary supplier for JCB plant and equipment	68,142	0	68,142	STAs not authorised/4	68,142	4,891	73,033	27,797	27,797	No	n/a	N/a	N/a	N/a	N/a	N/a	15/12/2005	Various staff - within Transport Management Group
59 ISEKI Vacuum Systems Ltd	Specialist proprietary supplier for 2 vacuum systems	68,685	0	68,685	STAs not authorised/4	68,685	20,344	89,029	0	0	No	n/a	n/a	n/a	n/a	n/a	n/a	31/05/2007	Various Staff within M&E business unit
60 Universal Mineral Supplies Ltd	Proprietary purchase of sand for fluidised base for incinerator.	56,578	0	56,578	STAs not authorised/4	56,578	9,840	66,418	6,231	6,231	No	N/a	N/a	N/a	N/a	N/a	N/a	12/07/2006	Various Staff within M&E business unit
61 BPC Magazines Ltd	Cumulative spend over £30k and only quotations used	218,855	0	218,855	Appropriate tendering not carried out, only quotations obtained/10	218,855	3,900	222,755	159,452	159,452	No	n/a	n/a	n/a	n/a	n/a	n/a	10/04/2007	Director authorised majority (£267k of £401k) and remainder by various staff
62 JBS Engineering	Cumulative spend over £30k and only quotations used	277,062	0	277,062	Appropriate tendering not carried out, only quotations obtained/10	227,062	26,783	253,845	53,044	53,044	No	N/A	N/A	N/A	N/A	N/A	N/A	17/10/2007	M & E Officials
63 RS Components Ltd	Cumulative spend over £30k and only quotations used	198,242	0	198,242	Appropriate tendering not carried out, only quotations obtained/10	198,242	14,458	212,700	95,834	95,834	No	N/a	N/a	N/a	N/a	N/a	N/a	07/06/2005	Various staff within a number of different business units
64 HR Holfield Ltd	Cumulative spend over £30k and only quotations used	166,733	0	166,733	Appropriate tendering not carried out, only quotations obtained/10	166,733	18,383	185,116	166,317	166,317	No	n/a	N/a	N/a	N/a	N/a	N/a	24/11/2005	Various staff within a number of different business units
65 Basement Textiles	Cumulative spend over £30k and only quotations used	109,324	0	109,324	Appropriate tendering not carried out, only quotations obtained/10	109,324	1,438	110,762	72,520	72,520	No	N/A	N/A	N/A	N/A	N/A	N/A	13/02/2007	Corporate Services Officials
66 Aesseal (McK) Ltd	Cumulative spend over £30k and only quotations used	107,915	0	107,915	Appropriate tendering not carried out, only quotations obtained/10	107,915	0	107,915	5,801	5,801	No	N/A	N/A	N/A	N/A	N/A	N/A	07/03/2008	Various staff within Wastewater; Networks Water and Water Supply business units
67 Universal Communi Riggers	Cumulative spend over £30k and only quotations used	105,332	0	105,332	Appropriate tendering not carried out, only quotations obtained/10	105,332	0	105,332	3,831	3,831	No	N/a	N/a	N/a	N/a	N/a	N/a	11/12/2007	Various staff within various business units
68 Pump and Value Services	Cumulative spend over £30k and only quotations used	104,356	0	104,356	Appropriate tendering not carried out, only quotations obtained/10	104,366	0	104,366	90,502	90,502	No	N/a	N/a	N/a	N/a	N/a	N/a	08/01/2008	Various staff within the M&E business unit

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69	Eventful Consultancy	Cumulative spend over £30k and only quotations used	85,369	0	85,369	Appropriate tendering not carried out, only quotations obtained/10	85,369	0	85,369	152,641	152,641	No	N/a	N/a	N/a	N/a	N/a	19/04/2007	Various staff within various business units	
70	Love PR	Cumulative spend over £30k and only quotations used	65,924	0	65,924	Appropriate tendering not carried out, only quotations obtained/10	65,924	0	65,924	0	0	No	N/a	N/a	N/a	N/a	N/a	31/12/2007	Corporate Services Officials	
71	Wodehouse Direct	Cumulative spend over £30k and only quotations used	57,494	0	57,494	Appropriate tendering not carried out, only quotations obtained/10	57,494	500	57,994	77,174	77,174	No	N/A	N/A	N/A	N/A	N/A	28/01/2007	Corporate Services Officials	
72	R Hall Marketing	Cumulative spend over £30k and only quotations used	43,311	0	43,311	Appropriate tendering not carried out, only quotations obtained/10	67,718	2,723	70,441	2,829	2,829	No	N/a	N/a	N/a	N/a	N/a	29/10/2008	Various staff within various business units	
73	Quickstart training ltf	Cumulative spend over £30k and only quotations used	34,436	0	34,436	Appropriate tendering not carried out, only quotations obtained/10	34,436	1,728	36,164	1,383	1,383	No	N/A	N/A	N/A	N/A	N/A	11/05/2009	Learning and Development Official	
74	Sacker & Partners	Provision of company pensions. Contract expenditure outside original business case approval	21,108	0	21,108	Expenditure outside original business case approval/ 11	21,108	5,153	26,261	112,660	112,660	Yes	03/05/2005	Senior Purchasing Officer	not covered by FD's	(1) 1/5/2006 - 30/4/2007 (2) 1/5/2007 - 30/4/2008	There was no evidence of an extension letter sent during irregular period.	Not covered by FDs	01/05/2008	N/a
n/a	PWC	HR Strategy	0	0	0	Not Included	461,713		461,713	7,386	7,386	No	n/a	n/a	n/a	n/a	n/a	n/a	N/a	
			28,438,321	20,986,624	7,451,697		30,802,419	3,833,519	34,635,945	11,348,639	14,823,626									

Key:

- 1 Deep Dive Capex - Section 2 - OJEU exception - contract extension
- 2 Deep Dive Opex - Appendix 2 - Potential OJEU exception - contract extensions
- 3 Contracts approval Internal Audit Report (CAIAR) - Appendix 2 - Contracts Potentially breaching OJEU regulations
- 4 Deep Dive Opex - Appendix 1 - STAs not appropriated used or authorised & some represent OJEU Exceptions
- 5 CAIAR - Appendix 3 - Vendors with Procurement Procedure Exceptions (no evidence of STA approval & no evidence of tendering)
- 6 CAIAR - Appendix 1 - STA not properly approved
- 7 CAIAR - Appendix 3 - Vendors with Procurement Procedure Exceptions - no external advertising
- 8 CAIAR - Appendix 4 - consultancy contracts - Lack of evidence of appropriate internal approval (no business case)
- 9 CAIAR - Appendix 4 - Business case without appropriate approval
- 10 Deep Dive Opex - Appendix 3 - Tendering Exception - > £30k only quotation
- 11 Deep Dive Opex Appendix 4 - Contract expenditure outside original business case approval