



CORPORATE GOVERNANCE COMMITTEE – 20 MAY 2024

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

EAST MIDLANDS SHARED SERVICE

INTERNAL AUDIT WORK UNDERTAKEN BY NOTTINGHAM CITY COUNCIL

Purpose of Report

1. The purpose of this report is to:
 - a. Provide the Head of Internal Audit (Nottingham City Council Internal Audit (NCCIA)) annual report and opinion for internal audit work undertaken at East Midlands Shared Service (EMSS) for the year 2022-23.
 - b. Provide a progress update against planned internal audit work at EMSS by NCCIA for the year 2023-24.

Background

2. In 2010, Nottingham City Council (NCC) and Leicestershire County Council (LCC) formed a partnership to share their HR, Payroll and Finance IT system and jointly deliver HR administration, payroll, and finance transactional services.
3. East Midlands Shared Services (EMSS) was created on 1 September 2012. The Employee Service Centre is based at County Hall in Leicestershire and the Finance Service Centre at Loxley House in Nottingham.
4. The Service operates on a shared IT platform. In 2018, the partner Councils procured a replacement system, Oracle Fusion Cloud, and commenced an implementation programme, 'Fit for the Future', across HR, Payroll, Finance and Procurement. The programme completed in March 2022 with the implementation of the new system across the two Councils and EMSS.

Internal Audit Provision

5. Nottingham City Council Internal Audit (NCCIA) is the designated internal audit provider for EMSS. EMSS managers are responsible for ensuring that proper standards of internal control operate within the organisation. NCCIA undertakes audits of the internal control procedures in respect of the key

systems and processes run by EMSS on behalf of itself and its clients; the Annual Audit Plan continues to focus on these areas.

6. The Annual Audit Plan is agreed annually at the EMSS Joint Committee in March and reported to the LCC and NCC governance committees. The 2022-23 and 2023-24 plans were reported to the Corporate Governance Committee at its meetings on 21 November 2022 and 26 May 2023 respectively.
7. The NCCIA team meet with the EMSS Management Team on a quarterly basis to discuss the scope, draft report, and findings from the audits. The Head of EMSS aims to meet with the Sponsors' of EMSS from each Council monthly and provides them with updates as audits are completed, providing details of the findings, recommendations, and assurance. The LCC Sponsor is Simone Hines, Assistant Director of Corporate Resources.
8. Copies of the NCCIA audit reports are passed to the Head of Internal Audit and Assurance Service at LCC, who will raise any questions directly with NCCIA or the Head of EMSS.
9. On 6 September 2023, as part of the annual report to LCC's Scrutiny Commission on, 'East Midlands Shared Service Annual Performance Update', the Head of EMSS reported that due to staffing shortages and other work commitments, NCCIA had reported to the EMSS Joint Committee in June that it had not completed the 2022-23 audits.
10. At its meeting on 26 January 2024, the Corporate Governance Committee was informed that the results of internal audit work for 2022-23 had been reported to the EMSS Joint Committee on 18 September 2023. For the 2022-23 audits, the individual opinions (gradings) for two areas (accounts receivable and ICT review) were downgraded, one opinion (payroll and HR) stayed the same and one opinion (accounts payable) improved. There are action plans for improvements agreed with the Head of East Midlands Shared Services.
11. To conform with the Public Sector Internal Audit Standards (PSIAS) revised in April 2017, the Head of Audit and Risk at NCCIA, not only produces an annual plan of audits, but also an Annual Report to include an opinion on the overall adequacy and effectiveness of the organisations' (EMSS) control environment. The opinion also appears in LCC's Annual Governance Statement and the County Council's HoIAS places reliance on the work conducted by NCCIA.
12. Presenting the Annual Report and opinion for 2022-23 was delayed because of a prolonged absence within the team. The County Council's external auditor (Grant Thornton LLP) reflected this in its Auditor's Annual Report 2022-23 which was also reported to Corporate Governance Committee on 26 January 2024.

13. The Head of Audit and Risk at NCCIA will present at this Committee the Annual Report and opinion for 2022-23 and a progress update on 2023-24 audits.
14. The 2024-25 Internal Audit Plan has not yet been approved due to concerns by the EMSS Joint Committee in relation to the audit approach being suggested and the resources available. A further report will be taken to the Joint Committee in June. A verbal update on progress will be given to the Corporate Governance Committee.

Resource implications

15. None

Equality Implications

16. There are no discernible equality implications resulting from the audits listed.

Human Rights

17. None

Recommendation

18. The Committee is asked to note the contents of the report.

Background Papers

[The Constitution of Leicestershire County Council – Part 3 Responsibility for Functions – Joint Arrangements](#)

<https://democracy.leics.gov.uk/documents/s178205/EMSS%20Performance%20Update%202023%20final.pdf>

Corporate Governance Committee 26 May 2023 – Internal Audit Service – Progress and Plans <https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MIId=7129&Ver=4>

Corporate Governance Committee 26 January 2024 – Internal Audit Service – Progress Against 2023-24 Plan
<https://democracy.leics.gov.uk/documents/s180884/Internal%20Audit%20Service%20-%20Progress%20against%202023-24%20plan%20final.pdf>

Circulation under the Local Issues Alert Procedure

None.

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Appendix

NCC Head of Audit Update, including 2022-23 Opinion and progress on 23-24 audits