



CORPORATE GOVERNANCE COMMITTEE – 16 SEPTEMBER 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 Interim 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 2023-24.
 - b. Provide a progress update against planned internal audit work at EMSS by NCCIA for the year 2024-25.

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. EMSS operates through a joint committee established with Nottingham City Council and which consists of elected member representative from both authorities. The County Council's representatives on the Committee are currently Mr L. Breckon CC and Mr J. Poland CC. The Committee oversees and monitors performance of the Service and has met on a quarterly basis
5. EMSS 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

6. 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.
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 Leicestershire County Council's Head of Internal Audit and Assurance Service (HoIAS), who will raise any questions directly with NCCIA or the Head of EMSS.
9. The Annual Audit Plan is routinely scheduled to be agreed at the EMSS Joint Committee in March and reported to the LCC and NCC governance committees. The 2023-24 plan was reported to the Corporate Governance Committee at its meeting on 26 May 2023.
10. At its meeting on 20 May 2024, the Corporate Governance Committee received the Head of Audit and Risk at NCCIA annual report and opinion for internal audit work undertaken at East Midlands Shared Services (EMSS) for the year 2022-23. This was later than planned due to resource issues within the NCC Internal Audit team. The report also provided a progress update against planned internal audit work at EMSS for the year 2023-24.
11. The HoIAS received the four finalised reports in July and the individual (assurance) opinions were: -
 - a. Accounts Receivable (No change in opinion) - Moderate
 - b. Accounts Payable (No change in opinion) – Significant
 - c. Payroll & HR (No change in opinion) – Limited
 - d. ICT review (Improved from 'Limited') – Moderate
12. Since the 20 May Committee, the longstanding Head of Audit and Risk at NCCIA has left the organisation. The Interim Head of Internal Audit at NCCIA will present to this Corporate Governance Committee the Annual Report and opinion for 2023-24. This is contained in the Appendix,
13. 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.

14. At its meeting on 20 May, Corporate Governance Committee recorded that whilst recognising the assurance provided and plans for the 2024-25 audit, Members raised concerns that this did not address current concerns arising from the previous year's audits and suggested that urgent action was needed and that it would not be satisfactory to wait until completion of the 2024-25 audit. The Committee resolved, 'That a letter be sent by the Chairman of the Committee to the Chairman of Nottingham City Council's Audit Committee Chair outlining the concerns now raised'.
15. A letter was sent on 26 June. On 29 August the Chair of Nottingham City Council's Audit Committee responded that, 'she shared the frustration with the time taken to resolve the issues highlighted in the Corporate Governance Committee Chairman's letter. She had formally raised her concerns with the Director of Finance and the recently appointed Interim Head of Internal Audit and asked for an appropriate mitigations plan to be developed that enables Nottingham City Council to comply with its current obligations to provide an appropriate Internal Audit service in 2024-25 for EMSS in compliance with regulations. NCCIA's Interim Head of Internal Audit would liaise with colleagues at Leicestershire County Council to ensure that both parties get the assurance needed in respect of EMSS'.
16. It is expected that a final plan for 2024-25 will be reported to the Joint Committee at its meeting on 16 September by the Interim Head of Internal Audit for approval. The plans for 2024-25 are also contained in the Appendix and a verbal update on progress will be given to the Committee during the meeting.

Resource implications

17. None

Equality Implications

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

Human Rights

19. None

Recommendation

20. 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>

Corporate Governance Committee 20 May 2024 - East Midlands Shared Service - Internal Audit Work Undertaken by Nottingham City Council
<https://democracy.leics.gov.uk/documents/s182677/East%20Midlands%20Shared%20Service%20Internal%20Audit%20Work%20Undertaken%20By%20Nottingham%20City%20Council.pdf>

Circulation under the Local Issues Alert Procedure

None.

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Appendix

Update from NCC interim Head of Internal Audit, including 2023/24 opinion and plans for 2024/25