

REPORT OF THE DIRECTOR OF STRATEGIC FINANCE

UPDATE ON INTERNAL AUDIT WORK FOR EAST MIDLANDS SHARED SERVICES

1. PURPOSE OF THE REPORT

This report outlines the work undertaken by Internal Audit (IA) to date for East Midlands Shared Services (EMSS).

2. RECOMMENDATIONS

- 2.1 To note the audit work completed to date and the work planned up to the proposed September 2012 'go live' date and thereafter.

3. REASONS FOR CONSIDERATION

- 3.1 Nottingham City Council and Leicestershire County Council formed a partnership (East Midlands Shared Services) in 2011 to deliver HR, payroll and finance transactional shared services. It will be supported by state of the art technology and intends to offer a sustainable solution through new ways of working to deliver more efficient and cost effective services. It will also form the base from which other services can be added and other councils taken on board.
- 3.2 The move to EMSS requires significant changes in both organisations' operational procedures and culture.
- 3.3 Both organisations have agreed that Nottingham City Council Internal Audit will conduct the required audit work during the transition and after the service is in full operation
- 3.4 The Audit Committee's Terms of Reference include receiving reports on the work planned and undertaken by IA.
- 3.5 The Committee has considered and endorsed the work planned for EMSS at previous meetings.
- 3.6 This report updates the Committee on the work undertaken to date and the work planned in the transitional period and going forward.

4. OVERVIEW OF WORK UNDERTAKEN

- 3.7 **Appendix 1** contains the detailed IA plan for EMSS with planned timings and, where appropriate, current status of the work. The Plan is on target although there has been some delay due to slippage in the EMSS project
- 3.8 To date the result of audit findings has been positive and significant assurance can be given in respect of the transitional arrangements put in place and the governance arrangements controlling the project.

3.9 June sees the start of the in depth testing phase, which is critical to the successful implementation of the project. As a result, essential IA work is now programmed to gather assurance regarding the system set up and testing phases and is primarily targeted at testing, data cleansing and data migration.

4 BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

None

5 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

None

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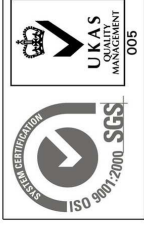


Nottingham City Council
Internal Audit

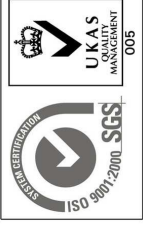
East Midlands Shared Services

Internal Audit Plan Update 15 June 2012





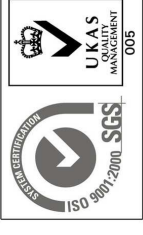
Description	Outline	Days	Start Date or Status
PRE CONTRACT WORK			
Response to Business Case and Contractual Negotiations	<ul style="list-style-type: none"> ▪ Contributed to and attended detailed contractual negotiation meetings with LCC and Deloitte 	5	Complete
Work Planning and Co-ordination with LCC/IAS	<ul style="list-style-type: none"> ▪ Attended meetings with Leicestershire and gave comments/input into a shared risk plan, and meetings with the Programme Manager to discuss concerns ▪ Requested access to information to inform future work ▪ Principles established to add value to provide expert advice and assurance ▪ Provide expert advice as and when required, rather than place an unnecessary overhead on the project and become part of it ▪ Position assumes Deloitte quality assurance process is fit for purpose and places reliance upon it 	0.5	Ongoing
NEW PROCESSES / INFORMATION SYSTEMS			
Changed Processes	<ul style="list-style-type: none"> ▪ Highlight retrogressive changes to Accounts Payable processes due to change of processes failing to incorporate scanning, and resolve potential weaknesses 	0.5	Complete
Feeder Systems	<ul style="list-style-type: none"> ▪ Detailed guidance given on security and integrity on the principles of the proposed feeder interface mechanism 	1	Complete
Strategic Risks	<ul style="list-style-type: none"> ▪ Detailed input into the proposal and creation of EMSS as a strategic risk, including, a summarised note incorporating risks identified in audit work, by Deloitte, and in the project risk register 	1.5	Complete



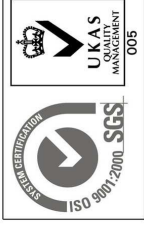
EMSS Governance Arrangements	<ul style="list-style-type: none"> ▪ Review of information from governance related boards and groups, assessment of governance to include recording of decisions: <ul style="list-style-type: none"> ○ Programme Board ○ Strategic Decision Group ○ End User Group ○ Assurance Board ○ Issues Log 	2	Complete - Drafted
Review project management issues	<ul style="list-style-type: none"> ▪ Across work-streams ▪ Focus on identified issues ▪ Review alert process – issues arising, appropriateness of method 	2	Mar 2012 See Governance
Risk Management	<ul style="list-style-type: none"> ▪ Advise on risk management process and consistency across both Councils ▪ Review of risk control processes ▪ Control and reporting – risk logs ▪ Review of project risk registers ▪ Identification of high risk issues for review 	2	Complete
High Risks and Priority Issues	<ul style="list-style-type: none"> ▪ Review and assurance on mitigation for high risks (15+) and Priority Issues 	Up To 20	Review Complete - Monitoring of risk management in place
Review of Deloitte Assurance mechanism	<ul style="list-style-type: none"> ▪ Discussion with Deloitte to establish reliance 	0.5	Dec 2012 Awaiting Deloitte



<p>New Processes</p>	<ul style="list-style-type: none"> ▪ Review of the new processes Finance, HR and ICT issues. ▪ Give Audit input into process design, review processes: <ul style="list-style-type: none"> ○ currently planned for Accounts Payable and Accounts Receivable Processes <ul style="list-style-type: none"> ▪ work flow ▪ auto creation of suppliers ▪ invoice and reminder bar coding ▪ schools data base ○ IT review – hosting plans, business continuity, progress on data migration, data sharing issues and access security, testing results Audit ○ Input into design of systems - including EMSS feeder systems/design workshops 	<p>15</p>	<p>Complete</p>
<p>'Gateway' Reviews</p>	<ul style="list-style-type: none"> ▪ Assistance in the completion of 'gateway' reviews at key stages in the program 	<p>2</p>	<p>Information awaited</p>
<p>Review of financial management</p>	<ul style="list-style-type: none"> ▪ Review of adequacy of management information provided * ▪ Contractual arrangements and payments to Deloitte <p>Background data requested - Brief to be produced – forecasted overspend of £2m</p>	<p>3</p>	<p>Underway</p>
<p>SYSTEM SET UP</p>			
<p>Data Cleansing</p>	<ul style="list-style-type: none"> ▪ Review of action to cleanse data and test effectiveness 	<p>4</p>	<p>On-Going</p>
<p>Data Migration</p>	<ul style="list-style-type: none"> ▪ Review of strategy when available and assurance testing of data migrated 	<p>3</p>	<p>On-Going</p>



Corporate Reporting Module	<ul style="list-style-type: none"> ▪ Review and assurance re model adopted in lieu of LCC Business objectives 	2	May 2012 Deferred to July 2012
Emerging Issues	<ul style="list-style-type: none"> ▪ Contingency for EMSS related emergency/priority issues ▪ Issues identified by Programme Board 	Up to 20	On-going
Transitional process	<ul style="list-style-type: none"> ▪ Business continuity plans for changeover to include: <ul style="list-style-type: none"> ○ Review of decommissioning* ○ Archiving* ○ Access to information in redundant systems* ○ Business Continuity – BS25999 	5	Complete
SYSTEM TESTING			
Development Testing	<ul style="list-style-type: none"> ▪ Review of testing methodology used ▪ Effectiveness and reliability ▪ Detailed systems testing to be focussed accordingly eg: <ul style="list-style-type: none"> ○ Chart of accounts ○ Capital programme ○ HR ○ Payroll ○ AP ○ AR 	8	Underway



OPERATIONAL AUDITS			
HR Systems Audit	<ul style="list-style-type: none"> ▪ Systems Audit 	25	Dec 2012
Accounts Payable Systems Audit	<ul style="list-style-type: none"> ▪ Systems Audit 	18	Dec 2012
Accounts Receivable Systems Audit	<ul style="list-style-type: none"> ▪ Systems Audit 	15	Jan 2013
EMSS IT Audit	<ul style="list-style-type: none"> ▪ Review of hosting and associated IT Configurations 	15	Oct 2012
POST LIVE REVIEWS			
Property Module	<ul style="list-style-type: none"> ▪ Review and assurance over property and estate management system 	5	Apr 2013
Post Implementation Review	<ul style="list-style-type: none"> ▪ Project deliverables ▪ Costs ▪ Lessons 	3	Dec 2012
Desk top review of EMSS capability to meet SAS 70	<ul style="list-style-type: none"> ▪ Review of position to identify any shortfalls in the short term and assist with accreditation if necessary 	1	Oct 2012

* Possible input from LCC

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