

**REPORT OF THE DEPUTY CHIEF EXECUTIVE & CORPORATE DIRECTOR OF
RESOURCES**

**COMBINED INTERNAL AUDIT WORK PLAN FOR EAST MIDLANDS SHARED
SERVICES**

1 PURPOSE OF THE REPORT

This report follows the report presented to the 27 July 2012 Audit Committee and outlines the work undertaken to date by Nottingham City Internal Audit (NCCIA) for East Midlands Shared Services (EMSS). It includes the combined Internal Audit Plan for EMSS of NCCIA and Leicestershire County Council Internal Audit (LCCIA).

2 RECOMMENDATIONS

To note the audit work completed to date and approve further work planned up to and after April 2013, when it is expected that the EMSS partnership will be fully operational.

3 REASONS FOR CONSIDERATION

- 3.1** Nottingham City Council (NCC) and Leicestershire County Council (LCC) formed a partnership (EMSS) 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 change to EMSS requires significant changes in both organisations operational procedures and culture.
- 3.3** Both organisations have agreed that NCCIA will conduct the required audit project work both during the transition and when the service is in full operation.
- 3.4** The Committee's Terms of Reference include receiving reports on the work planned and undertaken by NCCIA.
- 3.5** The Committee has considered and endorsed the work planned for EMSS at previous meetings.
- 3.6** EMSS will also have some residual interaction with LCCIA in respect of LCC activities that have an interface with EMSS. Accordingly an overarching combined plan has been produced, giving an overview of the audit activity to be undertaken in the organisation.
- 3.7** This report updates the Committee on the work undertaken to date and the work planned in the transitional period and thenceforth.

4 OVERVIEW OF WORK UNDERTAKEN

Appendix 1 contains the combined Internal Audit plan for EMSS with planned timings and where appropriate status of the work. The plan is on target although there has been some delay due to slippage in the EMSS project.

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

None

6 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

Audit Committee 27 July 2012 - Update On Internal Audit Work For East Midlands Shared Services

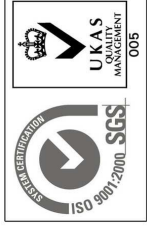
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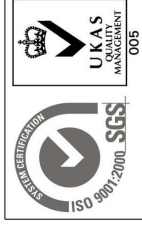
East Midlands Shared Services

Combined Internal Audit Plans

by Audit Type

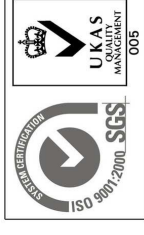
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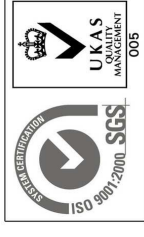
Description	Outline	Days	Start / Status
PRE CONTRACT WORK			
Response to Business Case and Contractual Negotiations	<ul style="list-style-type: none"> Contributed to and attended detailed contractual negotiation meetings with LCC and Deloitte 	5	Complete
Work Planning and Co-ordination with LCC/IAS	<ul style="list-style-type: none"> Meetings with Leicestershire and gave comments/input into a shared risk plan and 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"> Highlighting retrogressive changes to Accounts Payable processes due to change of processes failing to incorporate scanning, and resolve potential weaknesses. LCC now incorporating scanning 	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 	2	Complete – Report

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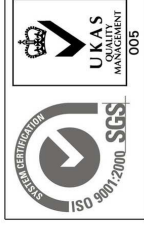


Description	Outline	Days	Start / Status
	decisions: <ul style="list-style-type: none"> o Programme Board o Strategic Decision Group o End User Group o Assurance Board o Issues Log 		issued
Review project management issues	<ul style="list-style-type: none"> • Across work-streams • Focus on identified issues • Review alert process – issues arising, appropriateness of method 	2	Mar 2012 (see Governance above)
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 Monitor regularly	20	Review Complete. Report to Director of Strategic Finance Aug 2012 Reviewed as at Oct 2012 and passed to

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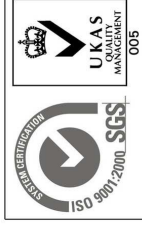


Description	Outline	Days	Start / Status
Review of Deloitte Quality Assurance mechanism	<ul style="list-style-type: none"> • Discussion with Deloitte to establish reliance 	0.5	LCC Audit. Reviewed Dec 2012. Dec 2012 Outcome of review by Deloitte provided to Sponsors Oct 2012. Discussions arranged between Sponsors and author.
New Processes	<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 	15	Complete



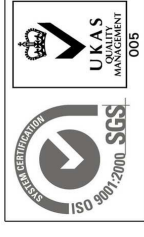
Description	Outline	Days	Start / Status
	<ul style="list-style-type: none"> Input into design of systems - including EMSS feeder systems/design workshops 		
'Gateway' Reviews	<ul style="list-style-type: none"> Assistance in the completion of 'gateway' reviews at key stages in the programme 	2	Complete
Review of financial management	<ul style="list-style-type: none"> Review of adequacy of management information provided * Contractual arrangements and payments to Deloitte 	3	Underway
SYSTEM SET UP			
Data Security/Data Sharing	<ul style="list-style-type: none"> Review adherence to the Data Sharing Agreement 	2	Complete. Also linked to Data Cleansing/ Migration
Data Cleansing	<ul style="list-style-type: none"> Review of action to cleanse data and test effectiveness 	4	Ongoing - Draft issued.
Data Migration	<ul style="list-style-type: none"> Review of strategy when available and assurance testing of data migrated 	3	Ongoing - Draft issued
Corporate Reporting Module	<ul style="list-style-type: none"> Review and assurance re OBIEE model adopted in lieu of LCC Business Objects 	2	Draft issued
Emerging Issues	<ul style="list-style-type: none"> Contingency for EMSS related emergency/priority issues Issues identified by Programme Board Cut over plan Reconciliation between Oracle database and the Data Warehouse Review system set up – Use of PwC Gate software 	20	Ongoing

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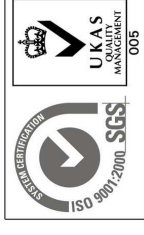
Description	Outline	Days	Start / Status
Transitional process	Business continuity plans for changeover to include: <ul style="list-style-type: none"> Review of decommissioning* Archiving* Access to information in redundant systems* Business Continuity – BS25999 	5	Complete
SYSTEM TESTING			
Development Testing	<ul style="list-style-type: none"> Review of testing methodology used Effectiveness and reliability 	8	Underway
	<ul style="list-style-type: none"> Detailed systems testing to be focussed accordingly eg: <ul style="list-style-type: none"> Chart of accounts Capital programme HR Payroll AP AR 		
EMSS - OPERATIONAL AUDITS			
EMSS IT Audit	<ul style="list-style-type: none"> Review of hosting and associated IT configurations 	15	Post full 'Go Live' May 13
Contingency Planning	<ul style="list-style-type: none"> Review initial Contingency arrangements Review Business Continuity Plans 	3 3	Jan 13 Jan 14
Reviews requested by the Head of EMSS	<ul style="list-style-type: none"> Work yet to be identified EMSS payments and income from clients 	40	
Reviews requested by Section 151 Officers	<ul style="list-style-type: none"> LCC NCC 	20 20	Ongoing

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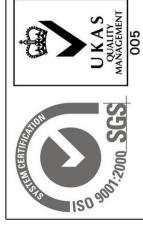
Description	Outline	Days	Start / Status
Velos-IT contract	<ul style="list-style-type: none"> Review performance in line with the contract with Velos-IT 	3	Ongoing
POST LIVE REVIEWS			
Property Module	<ul style="list-style-type: none"> Review and assurance over property and estate management system 	5	Apr 13
Post Implementation Review	<ul style="list-style-type: none"> Project deliverables Costs Lessons 	3	July 13
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	July 13
Commercial arrangements between EMSS and partners	<ul style="list-style-type: none"> Look at SLA and contractual arrangements 	1	Aug 13
* Possible input from LCC	See above and LCC plan below		

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NCC ACCOUNTS 2012 /2013/ ASSURANCE RELATED AUDITS 2013/14

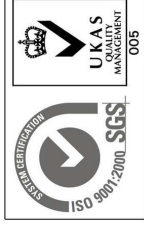
Description	Outline	Days	Est. EMSS days	Start / Status
NFI	Review of Payroll and Creditor Matches	20	5	Feb 13
Proactive Counter Fraud Work	Structure to Payroll / Creditors – EMSS System Live 2013/14	10	1	Apr 13
Payroll Audit	System Live 2013/14	20	3	Sept 13
Pensions Audit	System Live 2013/14	5	1	Oct 13
Accounts receivable Audit	System Live 2013/14	15	2	Oct 13
Accounts Payable Audit	System Live 2013/14	18	2	Nov 13
Main Accounting Audit	System Live 2013/14	10	1	Nov 13
Budgetary Control Audit	System Live 2013/14	1	0.5	Nov 13



LCC ACCOUNTS AND SYSTEMS RELATED AUDITS 2012/13

Description	Outline	Days	Est. EMSS days	Start / Status
CYPS – Redundancy In Schools	New development (new policy)/doing the basics well	12	0.5	Oct-Dec 2012
A&C Residential Care Debts	Joint Audit statutory requirement for PwC	10	0.5	Oct-Dec 2012
Corporate Finance – Counter Fraud Work	Doing the basics well	15	1	Oct-Dec 2012
ESC/FSSC – Key Performance Overview	Doing the basics well	12	1	Oct-Dec 2012
ESC Traded Income	New development	6	3	Jan-Mar 2013
Corporate HR - iExpenses – Management Information	Improvement Area	6	0.5	Jan-Mar 2013
Corporate HR – Implementation of Terms & Conditions Review	New Development/Doing the basics well	12	1	Jan-Mar 2013
Corporate HR - File Management	Improvement Area	20	3 exc. ESPO – query with HR Business Partners first	Jan-Mar 2013
EMSS - Delphi	New Development	4	0.5	Jan-Mar 2013

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Description	Outline	Days	Est. EMSS days	Start / Status
FSSC Joint Audit – feeders Payables & Receivables WORK COMPLETED	Joint Audit statutory requirement for PwC	30	0.5	Jul-Sept 2012
Corp HR - ESC Payroll	Joint Audit statutory requirement for PwC	10	15 mins – 2hrs max dependent on number of queries	Jul-Dec 2012
Corp HR – ESC General Ledger	Joint Audit statutory requirement for PwC	30	15 mins – 2hrs max dependent on number of queries	Oct 2012- Mar 2013
NFI	Review of Payroll and Creditor Matches	1.5	30 mins per query, estimate 20 queries	Feb 2013

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