

Audit Committee – 29 September 2023

Title of paper:	Internal Audit Report – No Assurance Reports	
Director(s)/ Corporate Director(s):	Ross Brown, Corporate Director of Finance & Resources	Wards affected: All
Report author(s) and contact details:	Simon Parsons John Slater Audit Manager Group Assurance & Audit Governance Manager	
Other colleagues who have provided input:	None	
Does this report contain any information that is exempt from publication?		
No		
Recommendation(s):		
1.	Note the findings of the two Internal Audit Reports	
2.	Consider the responses from management regarding action taken to date	

1 Reasons for recommendations

- 1.1 The Public Sector Internal Audit Standards set out the role of the Audit Committee in relation to Internal Audit and the standards include the requirement to receive reports from Internal Audit on significant risk exposures and control issues.
- 1.2 This report has been submitted to make the Committee aware of the ‘No Assurance’ classification attached to two Internal Audit reports, which is the lowest level of assurance in use.

2 Background - Appointeeship

- 2.1 The Adult Residential Services Team (ARS) act as the City Council’s Corporate Appointee in instances where citizens do not have capacity to manage their finances or where the citizen has nominated the Council to manage their finances on their behalf.
- 2.2 ARS will only apply to the Department of Work and Pensions (DWP) to be an appointee at the request of a Social Worker and where the citizen is in receipt of a benefit paid by the DWP. The DWP will review the Council’s application and if deemed to be appropriate will approve the application.
- 2.3 The Director of Adult Health and Social Care requested a review by Internal Audit following concerns regarding the management of citizen’s money by the Adult Residential Services Team, when it was located within Nottingham Revenues & Benefits (NRB).
- 2.4 The concerns included the accumulation of monies in respect of deceased clients over many years; a potential incomplete picture in terms of all bank accounts held by citizens and a potential failure to manage the benefit position for each client.
- 2.5 The Executive Summary in Appendix 2 sets out the key recommendations within the report. Our findings confirmed the initial concerns and our key findings included:

- The current system being used to manage the finances of citizens is not fit for purpose.
- There is a lack of transparency over balances held and the true position for each citizen is not apparent. This impacts on the Council's ability to demonstrate that it is acting in the best interests of each client
- There is no effective monitoring of appointeeship accounts, with the risk that inaccurate information is passed to the DWP
- There is inadequate separation between citizen's monies and NCC funds.
- Confirmation that the City Council has been holding in excess of £1m in respect of deceased persons accounts

3 Background – HR/Payroll

3.1 The annual Internal Audit plan includes an allocation of time to audit the key financial systems, which includes HR/Payroll. The approach to this work would typically include a review of the controls operated by EMSS, on behalf of partners, plus a separate review of the arrangements within Nottingham City Council; the results of this review are commented upon below plus the key recommendations within the report are set out in the attached Executive Summary in Appendix 1.

3.2 This review included specific testing in respect of NCC's management of the process but reflected upon other external reviews and our previously reported concerns. The review highlighted a poor system of internal control and consistent non-compliance with key controls resulting in monetary impact to the organisation, affecting its ability to achieve its objectives. Particular areas of concern included:

- An absence of ownership & accountability within HR & EDI for ensuring organisational compliance with internal controls and critical processes, i.e. no monitoring of compliance and no challenge to non-compliance.
- The Pay and Governance Board, responsible for scrutiny of pay has not met since the Covid Pandemic.
- The council being unable to demonstrate compliance with legislation in relation to Right to Work Checks for employees under Transfer of Undertakings (Protection of Employment).
- The council is both overpaying and underpaying employees in a number of different ways.
- HR & EDI are not applying the Special Payments Guidance consistently, creating an equal pay liability risk. The scrutiny, review and monitoring set forth within the policy has not been undertaken.
- HR & EDI assert line managers are responsible for ensuring pay is correct but Line Managers are often unable to explain why pay decisions have been taken for employees under their responsibility and the storage of documentation to explain decisions about pay is inadequate
- There are a number of data quality / integrity issues affecting the Oracle Fusion HCM system in its use and outcome.

4 Responses to the Audit Reports

- 4.1 Responses for Committee have been prepared by the responsible Directors to summarise the actions taken since the reports were issued in June 2023 and future proposed action (see attached appendices).

5 Background papers other than published works or those disclosing exempt or confidential information

- 5.1 None

6 Published documents referred to in compiling this report

- 6.1 Public Sector Internal Audit Standards (2017 update)