



**East Midlands Shared Services Joint Committee  
24 June 2024**

<b>Subject:</b>	East Midlands Shared Services – Internal Audit Update	
<b>Corporate Director(s) / Director(s):</b>	Ross Brown – Corporate Director of Finance and Resources (Section 151 Officer), Nottingham City Council (NCC)  Simone Hines – Assistant Director of Finance, Strategic Property and Commissioning, Leicestershire County Council (LCC)	
<b>Portfolio Holder(s):</b>	Councillor Linda Woodings	
<b>Report author and contact details:</b>	Shabana Kausar – Director of Finance (Deputy Section 151 Officer)  John Slater - Group Assurance & Audit Governance Manager	
<b>Other colleagues who have provided input:</b>	None	
<b>Key Decision</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<b>Subject to call-in</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Total value of the decision:</b> N/A		
<b>Section 151 Officer expenditure approval</b>		
Has any NCC spend been approved by the Section 151 Officer? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/a		
Spend Control Board approval reference number:		
<b>Date of consultation with Portfolio Holder(s):</b>		
Scheduled ahead of the meeting on 24 June 2024.		

**Summary of issues (including benefits to citizens/service users):**

The report provides the Joint Committee with an update on East Midlands Shared Service (EMSS) 2023/24 Internal Audits and seeks approval for the 2024/25 EMSS Audit Plan.

**Exempt information:**

None

**Recommendation(s):**

1. Notes the progress against the audit plan for 2023/24 (Section 3).
2. Approve the 2024/25 EMSS Audit Plan (Section 4 and Appendix 1).
3. Notes that 2024/25 will be the last year that NCC will provide an Internal Audit service to EMSS (paragraph 4.2).
4. Notes that NCC and LCC will be working with EMSS to explore options for delivering an Internal Audit provision from 2025/26, with the recommended option to be brought back to committee for consideration in quarter 4 (paragraph 4.2).

**1. Reasons for recommendations**

- 1.1 To provide assurance to the Joint Committee that EMSS has appropriate audit arrangements in place.

**2. Background**

- 2.1 EMSS managers are responsible for ensuring that proper standards of internal control operate within their organisation. NCC's Internal Audit service reviews these controls and gives an opinion in respect of the systems and processes put in place.
- 2.2 The Audit Plan is agreed annually and reported to LCC and NCC governance committees.
- 2.3 Reports in respect of all reviews are issued to the responsible colleagues within EMSS. These reports include agreed recommendations and the level of assurance that is drawn from the findings.

**3. 2023/24 Internal Audit Progress**

- 3.1 Since the last report to the Joint Committee in March 2024 the table below summarises the progress against the 2023/24 audit plan and associated levels of assurance.

Audit Plan Activity	2022/23 Outcome	2023/24 Outcome
Payroll 2023/24	Limited Assurance	Audit fieldwork complete draft report to be issued
Accounts Receivable 2023/24	Moderate Assurance	Audit fieldwork complete draft report to be issued
Accounts Payable 2023/24	Significant Assurance	Significant Assurance
System Admin and access controls 2023/24	Limited Assurance	Moderate Assurance

3.2 The draft internal audit reports for 2023/24 Payroll and Accounts Receivable will be issued to EMSS management by end of June 2024 for review, with a view to finalise internal audit opinion in quarter 2.

3.3 Set out below is the summary position of the 2023/24 audit activity:

**1) Payroll 2023/24 (audit field work complete and draft report to be issued)**

The following issues identified in 2022/23 will form part of the evaluation in the 2023/24 audit:

- The outstanding work required to transform the service in order that it is fit for purpose, including dealing with outstanding issues previously raised by Internal Audit, i.e., completion monthly reconciliations of control accounts, approach to the recovery of salary overpayments and treatment of exception reporting.
- Partners are accountable for their own processes and Internal Audit have previously highlighted weaknesses that require partners to take action in order to obtain the full benefit of the joint arrangements.

**2) Accounts Receivable 2023/24 (audit field work complete and draft report to be issued)**

The following issues identified in 2022/23 will form part of the evaluation in the 2023/24 audit:

- Issues around the collection strategy/compliance
- Concerns around write-out of debt
- Internal Audit have been aware that current statistics show an improvement in debt collected since debt collection was brought in-house.
- Partners are accountable for their own processes and Internal Audit have previously highlighted weaknesses that require partners to take action in order to obtain the full benefit of the joint arrangements.

**3) Accounts Payable 2023/24 (Significant Assurance)**

No significant concerns have been highlighted with Accounts Payable operations undertaken and controlled by EMSS.

#### **4) System Admin and Access Controls 2023/24 (Moderate Assurance)**

There is a need to perform an Oracle Health Check on a regular basis to ensure system vulnerabilities have not been created through patching and configuration changes. Progress has been made in responding to Oracle Health Check issues during 2024. However, whilst an intention has been communicated, Internal Audit have not been advised of a confirmed regular arrangement for future Health Checks.

Improvements to business continuity arrangements have been made but much of this improvement resides within the skills training and knowledge of the current Head of EMSS who is due to take a role elsewhere in LCC. Sustainability of these improvements are dependent on the Head of EMSS and other EMSS managers acquiring the necessary training and familiarising themselves with business continuity arrangements through testing at an early stage in their tenure (during 2024). EMSS should also look to influence partners to improve their related business continuity function, to the same standard.

- 3.4 Due to resource limitations Accounts Receivable and System Admin and Access Control, the approach adopted in 2023/24 has been focused on follow-up recommendations from 2022/23.
- 3.5 Internal capacity has been a key factor in the slippage of EMSS audit activity in 2023/24. Whereas the internal audit function did not have capacity to deliver this, the Council commits to making available the necessary resource for completing the 2023/24 audit.
- 3.6 NCC have made arrangements to cover the Head of Internal Audit role from July 2024.

#### **4. 2024/25 Internal Audit Plan**

- 4.1 The plan for 2024/25 has been prepared on the same basis as 2023/24 plan and is attached as Appendix 1 and is subject to amendments following review by the Head of Internal Audit in consultation with LCC and EMSS.
- 4.2 NCC's Internal Audit service's primary obligation is to ensure it can effectively deliver an internal audit function for the Council to provide the necessary assurance to its members and officers. Following discussions with LCC, NCC has agreed that 2024/25 will be the last year that it provides the service. NCC and LCC will work in partnership with EMSS over the coming year to explore delivery options for an audit provision for EMSS from 1 April 2025.
- 4.3 It should be noted that currently there is a shortage of experienced and skilled audit professionals in the market and the Council is not alone in experiencing recruitment issues including through the interim market. Whereas the internal audit function does not have capacity to deliver this, the Council commits to

making available the necessary resources for the provision of internal audit services to EMSS as set out in Appendix 1. For 2024/25 the Council will continue to manage the EMSS audit plan alongside the NCC audit plan through internal provision including use of agencies and will keep EMSS and LCC abreast of any deviations or changes to audit plan timelines.

**5. Finance colleague comments (including implications and value for money/VAT)**

5.1 Through the current arrangement NCC absorb the costs of providing internal audit provision to EMSS. For 2024/25, if appropriate, NCC will engage with LCC to negotiate sharing of any additional costs relating to resourcing of the 2024/25 internal audit plan.

5.2 At this time the financial impact of a new audit provision from 2025/26 is unknown but will need to be considered by the partnership as part of the proposed decision.

**6. Legal and Procurement colleague comments (including risk management issues, and legal, Crime and Disorder Act and procurement implications)**

6.1 None.

**7. Social value considerations**

7.1 Not applicable.

**8. Equality Impact Assessment (EIA)**

8.1 Has the equality impact of the proposals in this report been assessed?

No

8.2 EIAs are tools that help the Council make sure its policies, and the ways it carries out its functions, do what they are intended to do and for everybody. Although an EIA is not required at this time, one will be considered prior to any decisions being taken on new Internal Audit provision from 2025/26.

**9. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)**

9.1 None.

**10. Published documents referred to in this report**

- East Midlands Shared Services Internal Audit Plan 2024/25 (18 March 2024)
- East Midlands Shared Services Internal Audit Plan 2023/24 (20 March 2023)