Financial Controls Remediation

Nottingham City Council

Establishing Grip Report
June 2024

EY
Building a better
working world

Ross Brown   7 June 2024
Nottingham City Council
Station Street
Nottingham
NG2 3NG

Dear Ross,

Nottingham City Council – Controls Remediation

In accordance with the terms and conditions set out in the Project Initiation Document dated 12th June 2023 and Management Consultancy Framework 3 ('MCF3') Call off Schedule, this draft report ('the Report') sets out the results of our controls remediation work.

Purpose of our draft report and restrictions on its use

The report is prepared on the specific instructions of Nottingham City Council ('NCC') solely for the purpose set out in the report and should not be relied upon for any other purpose. The content within our report will be fed into a NCC paper and should not be distributed more widely as a standalone report. Because others may seek to use it for different purposes, this report should not be quoted, referred to or shown to any other parties, unless so required by court order or a regulatory authority, without our prior consent in writing. In carrying out our work and preparing our report, we have worked solely on the instructions of NCC and for its reporting purposes.

Our report may not have considered issues relevant to any third parties. Any such use third parties may choose to make of this report is entirely at their own risk and we shall have no responsibility whatsoever in relation to any such use. This report should not be provided to any third party without our prior approval and any third party should recognise in writing that we assume no responsibility or liability whatsoever to them in respect of the contents of our deliverables.

We provide this report in draft format solely so that it may be checked for factual accuracy by NCC.

Scope of our work

Our work in connection with this assignment is of a different nature to that of an audit. Our report to you is based on inquiries of, and information received from, management of NCC. Where relevant, reference has been included to the source of information provided to us. We have not sought to validate or verify the accuracy of the data or the information and explanations provided by management, except where explicitly stated in the Report.

If you would like to clarify any aspect of this report or discuss other related matters then please do not hesitate to contact me.

Yours sincerely

Marcus Richards
Partner
Ernst & Young LLP

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1. Executive summary

1.1 Introduction and purpose

In January 2023, EY commenced a Financial Controls Assessment for Nottingham City Council ("NCC") tasked with reviewing the extent and effectiveness of financial controls within six designated areas of financial activity. This work (including the associated Agreed Upon Procedures ("AUP") report) identified significant weaknesses with NCC's control environment specific to the six areas in scope which include: Capital, Transforming Cities Fund (TCF), Dedicated Schools Grant (DSG), Licensing Income, Parking, Traffic Regulation and Bus Lane Enforcement and Better Care Fund (BCF).

In May 2023 the findings of this work led to a recognition that urgent interventions were required to establish grip and to mitigate the risk caused by the weakened control environment which is the basis of the following report. NCC's requirements focus on three matters:

- The establishment of interim controls to establish grip in relation to identified control weaknesses;
- A NCC wide review to determine the prevalence of identified issues across NCC's organisation and group structure; and,
- Alignment of control remediation activities into NCC's Finance Improvement Plan ("FIP") and ensuring transition of ownership and knowledge to NCC officers.

To do this, EY developed a four-step approach to remediate the control weaknesses identified:
- Step 1 – Undertake a rapid intervention on identified issues within six areas in scope
- Step 2 – Carry out a NCC and Group Wide Controls Health Check to determine the prevalence of issues
- Step 3 – Implement newly scoped controls
- Step 4 – Bring together the interventions and our findings into an Establishing Grip Report

This report will provide an overview and summary of the outcomes of this approach, including actions undertaken to remedy the control failures and any further issues identified throughout the process.

To capture our analysis, the report is split into the following sections:

- Controls remediation
- Further considerations and risks identified as part of this process
- Mobilisation and implementation

1.2   Summary of controls remediation

The table below summarises the outcomes of the controls remediation work:

Theme	Summary
1: Core Finance Processes	Across Grants, Purchase to Pay ('P2P'), Record to Report ('R2R') and Accruals, the Council faced challenges stemming from undefined processes, integrity concerns regarding fragile infrastructure, and approval protocols. The remediation strategies adopted within this thematic scope involved role clarification, validation of system configuration, optimisation of workflows and refinement of approval processes. These interventions aim to collectively enhance accountability across the Council, increase transparency regarding processes and frameworks whilst significantly bolstering compliance with expectations set for approval, review and monitoring procedures.
2: Organisation wide	Across Procurement, Recharges and HR, the Council had limited and/or outdated policies, did not approve recharges before posting them to Oracle Fusion, and did not have a process for central monitoring and review. The control remediations implemented included policy updates, approval of recharge journals, as well as increased review and monitoring controls. These remediations will enable the Council to set clear expectations of staff through policy, increase accountability for budget managers approving timesheets, and mean that recharged costs are fairly allocated based on a transparent methodology.
3: Financial systems	The Council had issues surrounding their Taxi and Premises licensing and grant ring-fencing policies, including how they track the surplus/ deficit for each license. This is in addition to a lack of reporting across the Council and of control over temporary approval delegations on Oracle. The control remediations included policy updates for licensing, increased reporting implemented across the Council and Oracle system updates. These will allow for more accurate monitoring of ring-fenced accounts, a stronger control environment due to increased reporting and a mitigation of the risk that individuals have inappropriate permissions for their authority level.

As set out above the Financial Controls Assessment in January 2023 identified control weaknesses within six designated areas of financial activity. At the beginning of this phase of work these 6 areas were further segregated into 10 Process Areas and grouped under 3 themes as above.

In total, 31 control issues were identified across the 10 process areas, for which 38 control issue remediations have been scoped and agreed. Of the 38 remediations;

▸ 29 are now implemented and operational (with 26 implemented by 30th November 2023), and
▸ 9 are in the processes of implementation (with 12 in the process of implementation by 30th November 2023).

1.3 Further Considerations

Through the steps outline above we have identified the following further considerations for NCC:

Summary

1	Aligning to the Financial Improvement Plan: There were a range of themes noted within the FIP that had a higher degree of overlap with our remediation work, whilst some FIP actions were converted into more tangible or enhanced recommendations by EY. The following key actions noted in FIP were addressed through the remediation work: a need for external view on management override of controls, a robust internal control framework and range of improvements in the Procurement Process, Accruals Process, Grants and Systems (Oracle Fusions). In addition, EY implemented additional control remediations which extended beyond the FIP which included improvements in the Premises and Taxis licensing process, definition of No PO/ No Pay policy, definition of Grants champion role, updated Recharges policy, HR/ Expense process improvement and development of appropriate PowerBI dashboards. As part of the FIP's implementation, the overlapping FIP areas with EY's work should be embedded as a progress update to the current FIP's relevant sections and the remediation activities undertaken but not within the FIP should be included as an additional section.
2	The issues identified during the Agreed Upon Procedures ('AUP') work are not solely observed within the six areas that were considered, rather they permeate across all areas of the Council. This is because the issues identified relate to core financial processes, which underpin all the Council's financial activity. Some of the remediations we have proposed are cross cutting across the Council, others are highly targeted to given areas that were considered as part of the AUP work, namely, Licensing. Group entities which are particularly susceptible to the control weaknesses include Bridge Estate Trust and Nottingham City Homes Ltd, as they use the Oracle Fusion system via EMSS. However, these entities have some mitigations, in that Bridge Estate Trust has a less complex financial environment than the Council, and Nottingham City Homes have their own configurations for Oracle Fusion.
3	In the course of our work, we have identified further areas of risk that should be factored into financial improvement activities: Licensing - The scale of the aforementioned issues with Premises and Taxi licensing means that this area requires a significant overhaul in systems and process, so that the Council can meet its statutory obligations and reduce the risk of legal action that results in financial loss. Oracle Fusion - The shared service arrangement with Leicestershire County Council creates additional layers of complexity when seeking to make any changes to the system. The Council should consider clarifying roles and responsibilities through Service Level Agreements (SLAs) to support an effective working partnership that benefits the Council. Culture, knowledge and capacity - This remediation work has highlighted the need for culture change within the organisation so that staff – across the services and within Finance – understand their obligations to be financially responsible and to adhere to the Council's policies and procedures. Furthermore, there are instances where gaps in knowledge and / or capacity have raised further concerns around roles and obligations, specifically we recommend that the Finance team should have a greater monitoring role over the groups entities and that the work scheduled of the internal audit team should be reviewed in line with the monitoring set out in this report. We have also developed a training roadmap which

	outlines a structured approach to enchancing the knowledge and awareness of staff, with specific steps outlined for each of the control remediations implemented.

1.4   Mobilisation and Implementation

This section sets out:

- Mobilisation – the next steps required so that the remedial actions set out in this report are adequately embedded. This covers:
    - Next steps for each process area including monitoring and reporting
    - Comms plan
    - Training roadmap
- Implementation – the next steps required to deliver longer term changes across the organisation

Summary	
1	Mobilisation focusses on the next steps so that the remedial actions set out in this report are adequately embedded. This includes: • Next steps for each process area including monitoring and reporting – a plan across each of the process areas has been set out with the individuals identified for the delivering the plan. This is supported by a schedule for monitoring and reporting across the areas. • Comms plan – we propose an organisation-wide communication strategy to articulate the importance of controls and compliance including the scope of this work undertaken. This includes holding a launch / engagement day. • Training roadmap - the outlined roadmap aims to enhance control effectiveness and foster risk awareness. This approach equips staff at all levels with skills and knowledge to align with control frameworks and risk practices with specific steps for each of the control remediations implemented.
2	Implementation focuses on the next steps required to deliver longer term changes across the organisation. The Council must integrate remediating controls into a new operational framework, signalling a broad cultural shift with leadership support. While finance oversees financial control, all parts of the organisation must share responsibility and communication with non-financial officers clarifies their role in stewarding funds. A 3 lines of defence model, adapted for the Council, involves operational management, risk functions, and internal audit: • First line – operational management who own and manage risks. An example of this would be a grant responsible officer, who ensures compliance with grant conditions throughout the grant lifecycle. • Second line – risk management functions who help to monitor the first line of defence and ensure compliance with applicable laws and regulations. • Third line – risk assurance, provided by the internal audit function.

2.   Introduction

2.1   Background and context

In January 2023, a Financial Controls Assessment for NCC was carried out, tasked with reviewing the extent and effectiveness of financial controls within six designated areas of financial activity. This work (including the associated Agreed Upon Procedures (AUP) report) identified significant weaknesses with NCC's control environment specific to the six areas in scope which include: Capital, Transforming Cities Fund (TCF), Dedicated Schools Grant (DSG), Licensing Income, Parking, Traffic Regulation and Bus Lane Enforcement and Better Care Fund (BCF).

The findings of the work conducted in January 2023, led to a recognition that urgent interventions are required to establish grip and to mitigate the risk caused by the weakened control environment.

NCC's requirements focused on three matters:

- The establishment of interim controls to establish grip in relation to identified control weaknesses.
- A NCC wide review to determine the prevalence of identified issues across NCC's organisation and group structure; and,
- Alignment of control remediation activities into NCC's Finance Improvement Plan ("FIP") and ensuring transition of ownership and knowledge to NCC officers.

Our approach in June 2023 entailed a 12-week programme of work, composed of four steps focused on establishing the necessary grip to remedy control weaknesses identified in the Financial Controls Assessment summarised below and delivering against the requirements summarised above.

- Step 1 – Undertake a rapid intervention on identified issues within six areas in scope
- Step 2 – Carry out a NCC and Group Wide Controls Health Check to determine the prevalence of issues
- Step 3 – Implement newly scoped controls
- Step 4 – Bring together the interventions and our findings into an Establishing Grip Report (this document)

2.2   Purpose of this report

This report provides an overview and summary of the outcomes of the steps outlined above, including:

- An overview of the actions undertaken to remedy the control failures and any further issues identified throughout the process. (Section 3)
- Insight to be incorporated into NCC's FIP, ensuring synergy with further transformative actions being undertaken across the Council. (Section 4)
- The prevalence of risks and issues across the Group (Section 4)
- A clear mobilisation and implementation next steps (Section 5)

In addition to the above, the report covers:
- Proposals for culture change that may be feeding compliance issues (Section 5)
- Recommended corporate knowledge and appropriate training for both finance and non-finance staff on controls (Section 5) –

For the Council, there is an opportunity for an organisational reset, to move towards being a Council that demonstrates robust financial stewardship and a culture of compliance and continuous improvement. Whilst we have suggested and detailed remediations to the control weaknesses identified, the Council should adopt a culture that recognises the value of controls and aims to embed the continuous improvement into its control environment, as is best practice.

2.3   Scope of report and limitations

This report is focused on summarising EY's control remediation plan and findings based on the Financial Controls Assessment carried out in January 2023. Whilst our work has focused on 10 process areas set out in this document, we have included further risks and issues identified through the course of our work. Our work has been limited in scope and time and we stress that a more detailed review may reveal material issues that this review has not.

A number of limitations should be noted with regards to this report:
- Our work has relied on financial information provided by NCC. We have not sought to verify or validate any of the information provided, except where stated explicitly in this report.
- There were some delays in receiving information due to staff turnover and shortage of resource, and therefore timescales needed to be readjusted to deliver the remediation (notably Capital Journals and recharges).
- This status of the control remediations contained within this report are, to the best of our knowledge, correct as at the date of this report. An update of Annex 6.4 has been prepared which provides an update on remediations based on the Council's own progress, as at 16th November, with progress to 17th April 2024 also provided in a further update to the report.

3. Summary of controls remediation

As set out above the Financial Controls Assessment in January 2023 identified control weaknesses within six designated areas of financial activity. At the beginning of this phase of work these 6 areas were further segregated into 10 Process Areas and grouped under 3 themes as per the below.

Each of the 10 process areas had respective control weaknesses which were identified in the first phase of work in January 2023 which served as starting point for the remediation work. In collaboration with the identified key NCC contacts for each Process Area, EY and NCC developed remediation steps to mitigate the risk of the weaknesses recurring in the future.

In total, 31 control issues were identified across the 10 process areas. As at the date of this report, 38 control issue remediations have been scoped and agreed; of these, 29 are now implemented and operational and 9 are in the processes of implementation. This programme of implementation will provide remediations to all control issues identified at the outset of the work.

We have summarised the thematic areas below before providing an overview of each process area in turn. This is supported by the document library set out in Appendix 6.7.

Theme	Process area	Reference	Number of issues identified	Number of remediations scoped and agreed	Remediations implemented and designed	Remediations in the process of implementation
Theme 1 - Core Financial Processes	Grants	3.1.1	2	3	3	0
	Purchase to Pay	3.1.2	5	4	2	2
	Recording to Report	3.1.3	4	7	5	2
	Goods Receipting	3.1.4	2	4	4	0
Theme 2 - Organisation Wide	Procurement	3.2.1	3	5	4	1
	Recharges	3.2.2	4	3	3	0
	HR & Expenses	3.2.2	3	3	2	1
Theme 3 - Financial Systems	System Reporting	3.3.1	4	4	3	1
	Segregation of Certain Financial Activities	3.3.2	2	3	1	2
	Systems Access	3.3.3	2	2	2	0
Total			31	38	29	9

3.1   Core Financial Processes

Theme	Summary
1: Core Finance Processes	A review of the Council's core finance processes identified a number of challenges leading to a weakened control and compliance environment. This stemmed from fundamental issues with undefined processes, integrity concerns regarding the systems infrastructure, and approval protocols. The remediation strategies adopted within this thematic scope have involved role clarification, validation of system configuration, optimisation of workflows and refinement of approval processes. These interventions aim to collectively enhance accountability across the Council, increase transparency regarding processes and frameworks whilst significantly bolstering compliance with expectations set for approval, review and monitoring procedures.
2: Organisation wide	Across Procurement, Recharges and HR, the Council had limited and/or outdated policies, did not approve recharges before posting them to Oracle Fusion, and did not have a process for central monitoring and review. The control remediations implemented include policy updates, approval of recharge journals, as well as increased review and monitoring controls. These remediations will enable the Council to set clear expectations of staff through policy, increase accountability for budget managers approving timesheets, and mean that recharged costs are fairly allocated based on a transparent methodology.
3: Financial systems	The Council had issues surrounding their Taxi and Premises licensing and grant ring-fencing policies, including how they track the surplus/ deficit for each license. This is in addition to a lack of reporting across the Council and of control over temporary approval delegations on Oracle. The control remediations included policy updates for licensing, increased reporting implemented across the Council and Oracle system updates. These will allow for more accurate monitoring of ring-fenced accounts, a stronger control environment due to increased reporting and a mitigation of the risk that individuals have inappropriate permissions for their authority level.

3.1.1   Grants

Control weaknesses identified
The Council did not have a defined process for Grants which highlighted responsible officers along with their respective roles and responsibilities. This led to approval of grant submissions and expenditure without sufficient supporting evidence. A lack of focus on learning and development for individuals involved in the process contributed to a poor understanding of grant restrictions in many services.

Summary of steps taken
We have worked with NCC process owners to:

▸ Define the roles and responsibilities throughout the grant lifecycle, recognising the necessity for a Senior Responsible Officer (SRO) due to the intricate scope of grant management. This is supported by a document which sets out the overarching process steps and key activities for each step.
▸ Provide guidance on the additional information that should be captured in the grant register, which will serve as a centralised repository for information concerning grant management and reporting.

Outcome of remediation steps taken
Clarity over roles and responsibilities of key stakeholders across the lifecycle of a grant supports a structured and organised environment conducive to successful grant management. This

accountability promotes ownership and means that each stakeholder fulfils their obligations in a timely and effective manner.

For further information please see **Appendix 6.7** (1A, 1B, 1C)

3.1.2 Purchase to Pay

Control weaknesses identified
In the Purchase to Pay process, the control challenges that were identified revolved around the absence of a successful three-way match and the frequent absence of supporting evidence for invoice approvals. Instances were noted where purchase orders were generated after the issuance of invoices, and there were also cases of approved transactions surpassing financial thresholds defined in the authority matrix.

Summary of steps taken
Our interventions primarily concentrated on safeguarding the integrity of the three-way match process. To achieve this, we confirmed this requirement existed within both the system configuration and the current Purchase to Pay (P2P) policy and workflow. While it is possible to bypass this process through the non-PO route, we accounted for this possibility by establishing a "no PO, no pay" policy. In addition, we introduced an "exception list" that assists in handling invoices where a purchase order cannot be generated before the invoice due to exceptional situations.

Outcome of remediation steps taken
The interventions allow the Council to gain heightened control over P2P workflow, where exceptional circumstances are accommodated without hindering overall workflow. The policies means all steps and decisions are documented, enhancing the transparency of audit trail and regulatory compliance.

In the case of transactions surpassing financial thresholds refer to narrative and interventions detailed in "Systems Access" (3.4) below.

For further information please see **Appendix 6.7** (2A, 2B, 2C)

3.1.3 Record to Report

Control weaknesses identified
In the Record to Report process it was identified that staff members were able to process journals and the system allowed the bypassing of approvals when key officers were absent. The number of journals raised increased, leading to insufficient scrutiny and a lack of thorough review. This subsequently led to a decline in the quality of evidence and narrative behind journals.

Notably for Capital Journals, it was possible to allocate time and labour directly to intra-projects without requiring approval from the project manager through Oracle Time & Labour ('OTL'). Additionally, journal details were aggregated obscuring entries on the ledger. This hindered the project manager's ability to scrutinise and challenge journals.

The council also encountered difficulty in distinguishing costs between the initial application phase and subsequent administration and enforcement activities. This issue has been addressed below in the section titled "Segregation of Certain Financial Activities" (3.4) below.

Summary of steps taken
Swift action was taken to promptly halt automated approvals when officers were absent and to limit access to Firmstep, the system used for raising journals. Configuration adjustments were suggested and are at present being tested within ORACLE to enforce authorisation before journal entries are recorded on the ledger. Additionally, a process enhancement was implemented that involves saving all evidence in a centralised library, accompanied by the creation of refined instructions and

monitoring process to facilitate compliance with the new procedures for raising and approving journals.

Intra-projects will now be removed and transitioned into capital project codes to allow appropriate review and approval from project managers. A further added benefit from the removal of intra-project codes from OTL is that the authorisation channel will flow to the project manager post supervisor review.

Outcome of remediation steps taken
- The system improvements prevent unauthorised individuals from processing journals, reducing the risk of non-compliance, and ensuring only authorised journals are involved in the submission process. Furthermore, this will mean all journal entries undergo a proper approval process enhancing control and compliance.
- The manual processes mean journals are subject to proper scrutiny. The creation of refined instructions provides clearer guidance on the new procedures and helps staff understand their roles and responsibilities reducing the chances and errors of non-compliance. The supporting monitoring exercise supports compliance with the new procedures is tracked and upheld.

For further information please see **Appendix 6.7** (3A, 3B, 3C. 3D)

3.1.4 Goods Receipting

Control weaknesses identified in the previous phase
For Goods Receipting the concern centred around accruals. There were instances where accruals were performed without goods having been receipted. Additionally, we identified a lack of adequate preventive controls for significant accruals, which could be recorded without proper supporting evidence.

Summary of steps taken to remediate the weaknesses
A two-tier approval process has been implemented to raise an accrual, with a key requirement being the inclusion of a PO for validation. After reviewing the intranet policy, we have made system improvements for accrual approvers in accordance with the current policy. Additionally, strengthening the emphasis on conducting a year-end reconciliation between POs and GRNs as an integral part of the year-end accrual journal process and policy.

Outcome of remediation steps taken
These enhancements facilitate a stronger accrual booking procedure and mean that designated individuals can authorise accruals in alignment with the year-end accruals policy published on the intranet. Moreover, implementing the recommendations will further augment the validation of year-end accrual journals generated.

*For further information please see **Appendix 6.7** (4A, 4B)*

3.2   Organisation Wide

3.2.1 Procurement

Control weaknesses identified
Issues existed with adherence to Council policies and process, alongside central monitoring and review of contract spend. Procurement is also impacted by weaknesses in the wider Purchase to Pay control environment.

Summary of steps taken
We have proposed amendments to the procurement exemption request policy and aligned this to the interventions within the Purchase to Pay process area set out above. We implemented controls to improve the central monitoring of spend against contractual values, identifying PowerBI tools that were available but not widely in use.

Outcome of remediation steps taken
Clarifying the exemptions process and the escalation for non-compliance establishes clear expectations across the Council, which should foster a culture of compliance with the exemptions process. Monitoring spend on a regular basis will aid the early identification of any overspends against contract, enabling proactive engagement with service areas.

For further information please see **Appendix 6.7** (5A, 5B, 5C)

3.2.2 Recharges

Control weaknesses identified
The Recharges Policy was outdated and incomplete, with recharges often incorrectly processed as there were limited meaningful preventative controls in place.

Summary of steps taken
Our interventions have focused on a revised policy for recharges, with clear principles on when and how recharges should be used. Policy is reinforced by mandating approval of recharges, as well as monitoring controls, so that NCC staff are adhering to policy.

Outcome of remediation steps taken
These improvements enable costs to be fairly allocated across the Council and transparently managed. This will empower departments to manage budgets and be held accountable for their financial position. Ultimately, this will aid resource optimisation across the organisation.

For further information please see **Appendix 6.7** (6A, 6B)

3.2.3 HR & Expenses

Control weaknesses identified
For HR and Expenses processes, the control issues identified were characterised by a lack of transparency, particularly where staff were charging time via Oracle timesheet entry (OTL or Projects). Recharging of staff costs within Oracle timesheet entry had limited approval controls in some cases. Further, staff salaries for licenses were charged to a general cost centre and apportioned to different license regimes without appropriate supporting documentation.

Summary of steps taken
We considered the issues relating to Oracle timesheet entry through preventative and monitoring controls – timesheets now require an approver (see Record to Report implementation status), with entries monitored through a regular sampling process. Recharges to licensing have been considered within the Recharges workstream.

Outcome of remediation steps taken
Benefits of the changes to the HR process are increased accountability and visibility for project managers, who must approve timesheets on their cost centres.

For further information please see **Appendix 6.7** (7A)

3.3   Financial Systems

3.3.1 System Reporting

Control weaknesses identified
A lack of system reporting was identified across the council where there were few overarching monitoring or control breach reports being utilised. EY investigated the reason for this and noted that the core issue was not a lack of available dashboards/ reports available for use, but that they

had not been rolled out to key users throughout the council. In addition, there was a lack of reporting mechanism to track the surplus/ deficit of licenses to support cost neutrality.

Summary of steps taken
Our approach was to inquire with the Strategic Finance Reporting team to understand the available Oracle dashboards and PowerBI reports. We then identified which of these could be utilised throughout the process areas to resolve control weaknesses and then formalised their use with key process owners. There were also additional reports which were required to resolve control weaknesses that had to be developed in partnership with the Strategic Finance Reporting team.

Outcome of remediation steps taken
The benefits of increasing the usage of reports throughout NCC is that it increases the amount of management information available to key process owners which then allows for more informed decisions regarding their process area. Where the reports are resolving control weaknesses this will improve the robustness of the control environment and reduce the risk of control breaches.

For further information please see **Appendix 6.7** (8A, 8B)

3.3.2   Segregation of Certain Financial Activities

Control weaknesses identified
Segregation of Certain Financial activities relates to a lack of formal ring-fencing due to statutory regulations for licenses and grant conditions. The issue with grants was that roles and responsibilities were not defined across the lifecycle of the grant and a lack of formal processes. However, for licensing there is a lack of sufficient detail in Oracle Fusion for Taxi and Premises licenses, where the current cost centres and GL codes are grouped together. Therefore, when trying to create reports to assess the surplus/ deficit for each specific license it is currently not possible as the revenue and costs for each license are not available. The reason for this is firstly that there are not sufficient cost centres / GL codes in Oracle Fusion for all licenses, but also that a number of key licensing costs are grouped and not allocated out between each license.

Summary of steps taken
Grants have been covered in 1) AR: Grant Receive to Record where a robust lifecycle process flow has been developed which includes a monitoring of spend and compliance against grant conditions by responsible grant officers.

For licensing, EY had a number of discussions with key contacts at NCC to get to the root of the problem. The main issue identified was the lack of way to track the surplus/ deficit of each license to support cost neutrality and ring-fencing of revenue. The EY review recognised that it was operationally challenging to have separate cost centres for each license, given the volume of licenses the Council manages. Therefore, EY developed a best practice guidance document which identified principles for ensuring financial information was sufficiently granular on the GL to enable ongoing management and monitoring for the revenue/ costs of each license. Secondly, the guidance included steps for allocating licensing costs between the newly developed license cost centres with steps for implementation. It is recognised that the recommendation to have separate cost centres for all licenses may be challenging and resource intensive, therefore the Senior Finance Business Partner (SFBP) at NCC is working with the service area to develop an operationally feasible approach for licensing.

Outcome of remediation steps taken
The benefits of NCC implementing the best practice guidance related to the cost centres / GL codes and the cost allocation process are that there will be sufficient information depth to create reports to track the surplus/ deficit of each license to support cost neutrality and ring-fencing of license and grant revenue.

For further information please see **Appendix 6.7** (9A)

3.3.3 Systems Access

Control weaknesses identified
The identified issues related to Systems Access were a specific weakness in granting and monitoring temporary access and a lack of monitoring where access is maintained for inappropriate amounts of time. EY inquired with the Systems Access and EMSS team to understand the specific issue and understood the issue was related to Oracle temporary approval delegations which are used for NCC employees to delegate temporary access to their roles. The main issue being that there was no mandatory end date on the Oracle form when submitting a request to delegate temporary approval to another employee. The licensing reporting issues and remediations were included in 4.3.2 Segregation of Financial activities in more detail.

Summary of steps taken to remediate the weaknesses
EY suggested implementing a mandatory end date function on the Oracle Fusion form for requesting temporary approval delegations. However, there is the risk individuals just put the end date far into the future which would then undermine the effectiveness of the mandatory end date. Hence, EY also implemented a control where a report of all delegations is sent automatically to System Reporting – Senior Analyst on a monthly basis, who will review individuals with delegated authority for longer than 60 days. They will then inquire with those individuals to assess if the delegation is still appropriate, and if not the delegation will be revoked.

Outcome of remediation steps taken
The benefits of the system change and monthly control will mean individuals do not maintain temporary access for extended periods of time and hence reduce the risk access is maintained outside of authorised approvals hindering the robustness of the delegated authority matrix.

For further information please see **Appendix 6.7** (10A, 10B&C)

4.   Further Considerations

We recognise that the scope of the work set out in the process areas above has been carried out alongside a broader organisational and change context. This section sets out:
1.   How controls remediation outlined above align to NCC's Finance Improvement Plan (FIP) (4.1.)
2.   The extent of the risks and issues across NCC and its group structure to determine organisation wide prevalence (4.2)
3.   Additional risks and considerations that have been identified through the course of our work and proposed recommendations against these (4.3)

Summary	
1	Aligning to the Financial Improvement Plan: There were a range of themes noted within FIP that had a higher degree of overlap with our remediation work whilst some FIP actions were converted into more tangible or enhanced recommendations by EY. The following key actions noted in FIP were addressed through the remediation work: a need for external view on management override of controls, a robust internal control framework and range of improvements in the Procurement Process, Accruals Process, Grants and Systems (Oracle Fusions). Some of EY's enhancements beyond FIP included improvements in the Taxi and Premises Licensing process, definition of No PO/ No Pay policy, definition of Grants champion role, updated Recharges policy, HR/ Expense process improvement and development of appropriate PowerBI dashboards. As part of the FIP's implementation, the overlapping FIP areas with EY's work should be embedded as a progress update to the current FIP's relevant sections and the remediation activities undertaken but not within the FIP should be included as an additional section.
2	The issues identified during the AUP work are not solely observed within the six areas that were considered, rather they permeate across all areas of the Council. This is because the issues identified relate to core financial processes, which underpin all the Council's financial activity. Some of the remediations we have proposed are cross cutting across the Council, others are highly targeted to given areas that were considered as part of the AUP work, namely, Licensing. Group entities which are particularly susceptible to the control weaknesses include Bridge Estate Trust and Nottingham City Homes Ltd, as they use the Oracle Fusion system via EMSS. However, these entities have some mitigations, in that Bridge Estate Trust has a less complex financial environment than the Council, and Nottingham City Homes have their own configurations for Oracle Fusion.
3	In the course of our work, we have identified further areas of consideration. Some of these areas are already under consideration by the Council, as part of the Finance Improvement Plan or other programmes of work: Licensing - The scale of the issues with licensing means that this area requires a significant overhaul in systems and process, so that the Council can meet its statutory obligations and reduce the risk of legal action that results in financial loss. Oracle Fusion - The shared service arrangement with Leicestershire County Council creates additional layers of complexity when seeking to make any changes to the system. The Council should consider clarifying roles and responsibilities through Service Level Agreements (SLAs) to support an effective working partnership that benefits the Council.

> Culture, knowledge and capacity - This remediation work has highlighted the need for culture change within the organisation so that staff – across the services and within finance – understand their obligations to be financially responsible and to adhere to the council's policies and procedures. Furthermore, there are instances where gaps in knowledge and / or capacity have raised further concerns around roles and obligations, specifically we recommend that the finance team should have a greater monitoring role over the groups entities and that the work scheduled of the internal audit team should be reviewed in line with the monitoring set out in this report.

4.1 Alignment with Finance Improvement Plan

Whilst urgent intervention was required to mitigate the risk of identified control weaknesses, we have reviewed the remediations to understand how they align and integrate with NCC's Financial Improvement Plan (FIP) so that the remediations are embedded within this plan rather than sitting in isolation.

We have reviewed the FIP and have summarised key alignment areas in this paper and noted that EY's work overlaps with approximately 110 of the 232[1] actions recommended in the NCC FIP. This was done to acknowledge the Transformation work that was ongoing within Finance and to bring the two together into a coherent single plan. The overlap suggests that the FIP can be brought into action through the support of EY's control remediation plan in the form of specific controls and guidance. The following aims were achieved through this alignment exercise:

▸ Ensure EY work is additive, and duplication is avoided
▸ Follow recommendations, strengthen job role and functions developed through the FIP Programme
▸ For existing activities within the FIP, ensure focus was applied to delivery and tangible change.
▸ A collaborative approach was adopted with the FIP Programme leads and Finance Team enabling Synergy with EY Controls Remediation
▸ EY review helped achieve a key aim of FIP's that recommended an external view on Internal Control environment and Finance function strength at NCC

The FIP was primarily divided into seven sections. Four sections of the FIP had a higher overlap with EY Work. The overlap in NCC FIP/ EY Remediation provides greater evidence of the existence of such issues. In overlap areas, EY has aimed to materialise the FIP into tangible actions and extended support for NCC.

The key sections of the FIP for which the controls remediation work overlapped were:
▸ **Section 1 - The responsibilities of the chief finance officer and leadership team:** FIP/ EY Review supported actions for an improved procurement process, better contract management arrangements, improved financial competency of staff and utilisation of intranet site
▸ **Section 2 - Governance and Financial Management Style:** FIP/ EY Review supported the need for robustness of the internal controls within Oracle Fusion, support "One version of the Truth", compliance with relevant accounting standards/ Accruals based accounting, effective transactional services (within AP, Payroll etc.) and the recommendation for NCC to seek an external view on its 'Management of Override controls' as part of its FIP
▸ **Section 6 - Monitoring Financial Performance:** FIP/ EY Review supported the need for appropriate suite of reports to facilitate effective performance, manage risk of duplicate payments and better influence future directions / developments of Fusion
▸ **Section 7 - External Financial Reporting:** FIP/ Review supported actions for Clean Audit opinion through improved journal control, recharging process, grants management, accruals booking and

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[1] Revised version of FIP provided in November 10th 2023 with 232 action items. To note, the FIP is a live document with actions regularly reviewed, refined and added by NCC.

closedown process improvements, effective financial dashboards, robust internal financial control framework and routine compliance to policies.

We did not cover the following FIP sections as part of EY remediation work: Section 3 - Long to medium-term financial management, Section 4 - The annual budget and Section 5 - Stakeholder engagement and business plans.

Additionally, EY noted specific control weaknesses that were not explicitly stated in FIP. The following were the key enhancements proposed beyond FIP:

▸ Licensing: Improve Licensing process through systems measures to enable ring fencing and monitor surplus/deficit
▸ HR and Expense Process: Control recommended and training to Finance for ensuring timesheets coded to correct cost centre
    ▸ Action C2.3 has been updated to include reference to timesheet approvals control change.
▸ Systems: PowerBI dashboards recommended for monitoring of system approval delegations

The review of the Council's control environment helped identify additional control weaknesses in areas not noted explicitly referenced within the FIP. Ensuring these factors are incorporated into the evolving FIP will help to ensure it seeks to continue to strengthen the Council's Finance Function and corresponding approaches to financial management.

Mobilisation

As part of the FIP's implementation, we recommend that the overlapping FIP areas with EY's work are embedded as a progress update to the current FIP's relevant sections. Additionally, for remediation activities undertaken but not explicitly noted within the FIP should be included as an additional section to the FIP. This shall help achieve the FIP's aims and best utilize the recommendations presented as part of EY's detailed Control Remediation plan prepared in conjunction with NCC officers.

4.2   Group Wide Health Check

Our previous phase of work considered the control environment across six subject matter areas:

▸ Capital
▸ Transforming Cities Fund (TCF)
▸ Dedicated Schools Grant (DSG)
▸ Licensing Income
▸ Parking, Traffic Regulation and Bus Lane Enforcement
▸ Better Care Fund (BCF)

The issues identified were grouped into the ten process areas which we have considered as part of the controls remediation work. Considering the ten process areas, we have determined whether they are specific to areas reviewed during the AUP work, or the extent to which they are relevant across other parts of the Council's operations, including group entities.

As many of the process areas relate to core financial processes which underpin the Council's financial activities, our review indicates the issues previously identified will have an impact across NCC and in many cases it's group entities. The remediating controls being proposed will inherently improve the financial control within those areas.

Process area	Relevance outside six AUP areas	Relevance to specific group entities
Grants	There are 264 grants totalling £606m in 22/23, the majority of which relates to grants not considered in the AUP work. Therefore, implementing the remediating	Nottingham City Homes Ltd and Nottingham City Transport Ltd. (NCT) may receive grants, therefore would be

Process area	Relevance outside six AUP areas	Relevance to specific group entities
	controls will bring benefits outside of the AUP subject matter areas.	impacted by changes to NCC process throughout the grants lifecycle.
Purchase to Pay	This is a core financial process that underpins all payments made by the Council.	Those entities which use NCC financial systems (Bridge Estate Trust) will be impacted. Some other entities which have a separate configuration within Fusion, but are part of EMSS, may also be impacted (Nottingham City Homes).
Recording to Report	We have included some remediating controls that are specific to Capital, otherwise, this is a core financial process that underpins the Council's financial processes.	Those entities which use NCC financial systems (Bridge Estate Trust) will be impacted. Some other entities which have a separate configuration within Fusion, but are part of EMSS, may also be impacted (Nottingham City Homes).
Goods Receipting	This relates to accruals which is a core financial process that is relevant across all areas where the Council has expenditure.	Changes made are predominantly process rather than systems based. Therefore, remediating controls are likely to impact NCC and Bridge Estate Trust only.
Procurement	Procurement is a key part of the Purchase to Pay process, which underpins all payments made by the Council.	Changes made are predominantly process rather than systems based. Therefore, remediating controls are likely to impact NCC, rather than any group entities. Bridge Estate Trust is unlikely to be materially impacted due to the nature of the charity.
Recharges	Recharges impact all areas of service delivery for the Council, with some areas outside of the AUP subject matter areas being particularly impacted by changes to the recharges policy (such as Schools). Further, there is now a draft policy for recharging corporate overheads to all other areas of the Council.	Those entities which are managed by Council staff (for example, property services manage Bridge Estates Trust) are likely to be impacted by the revised corporate overheads recharges policy.
HR & Expenses	The timesheet capability is relevant for bank staff, who could feasibly work in any area of the Council. Capital projects are particularly impacted by changes to the OTL system.	Those entities which use NCC financial systems (Bridge Estate Trust) will be impacted. Some other entities which have a separate configuration within Fusion, but are part of EMSS, may also be impacted (Nottingham City Homes).
Systems Reporting	There are specific remediating controls that relate to Licensing, otherwise the reports identified will be used for review and monitoring controls across the Council's core financial processes.	This impacts NCC only.
Segregation of Certain Financial Activities	This area is focused on Licensing which was included in the AUP report.	This impacts NCC only.
Systems Access	Changes made to systems access are not specific to a given area considered during the AUP work, and is relevant to all financial processes using Oracle Fusion.	Those entities which use NCC financial systems (Bridge Estate Trust) will be impacted. Some other entities which have a separate configuration within Fusion, but are part of EMSS, may also be impacted (Nottingham City Homes).

4.3 Additional Risks Identified

In the course of our work, we have identified further areas of risk that sit outside the specific control issues identified in previous work. These are summarised below to ensure that due consideration is applied to them and, where necessary, steps are taken to mitigate such risk.

▸ Licensing

The scale of the issues within the Councils Taxi and Premises licensing operations means that this area requires a significant overhaul in systems and process, so that the Council can meet its statutory obligations and reduce the risk of legal action that results in financial loss. We sought to lay the foundations for this change through our control remediation work by improving the structure of the financial system in place and introducing best practice guidance. However, we view the Council's systems and approaches inadequate to be able to manage the complexity and risk of licensing and therefore a formal review and potential transformation of this model would be recommended.

▸ Oracle Fusion

The shared service arrangement with Leicestershire County Council (LCC) creates additional layers of complexity when seeking to make any changes to the system. This is exacerbated by the lack of clarity around the parameters for making changes, timelines, governance and the roles and responsibilities across each party. An example of this is within the Purchase to Pay team, where responsibilities between Council officers and the shared service provider EMSS (East Midlands Shared Services) were not always well understood. An additional example is the Mandatory End Date control implemented in 10) Systems Access which was delayed as it required LCC to approve the change in Oracle as it would also affect them.

The Council should consider clarifying roles and responsibilities through Service Level Agreements (SLAs) to support an effective working partnership that benefits the Council. In carrying this out, changes to ways of working may be identified which may make it easier to navigate the stakeholder environment and enact system changes more quickly. Furthermore, the council should capture learnings and feedback to provide the foundations for requirements gathering at the point at which the system needs to be renewed or re-procured.

▸ Culture, knowledge and capacity

This remediation work has highlighted the need for culture change within the organisation so that staff – across the services and within Finance – understand their obligations to be financially responsible and to adhere to the council's policies and procedures (we have provided further detail on this in the following section). Furthermore, there are instances where gaps in knowledge and / or capacity have raised further concerns around roles and obligations, specifically:

- ▸ Through our work it was unclear who had sight within the Finance team of the group entities and subsidiaries. The Council should consider establishing this more prominently within the finance team's remit (e.g. identifying an individual / role) so that there is greater awareness, and monitoring within the finance team of its group entities
- ▸ The Council may wish to review the schedule of work for the Internal Audit function so that control weaknesses (such as the ones identified in the Financial Controls Assessment) are adequately identified in the future
- ▸ There needs to be engagement from all members of the Council in understanding this is the start of a journey to improve the Council's financial control, an opportunity to reset the Council's culture. Both financial and non-financial officers have a role to play if the Council is to demonstrate best practice in financial control

5. Mobilising the remediating controls and the implementation of longer term interventions

This section sets out:

▸ Mobilising remediating controls – the next steps required so that the remedial actions set out in this report are adequately embedded. This covers:
  ▸ Next steps for each process area including monitoring and reporting
  ▸ Comms plan
  ▸ Training roadmap

▸ Implementing longer term interventions – the next steps required to deliver longer term changes across the organisation

Summary	
1	Mobilising remedial controls focusses on the next steps so remedial actions set out in this report are adequately embedded. This includes: ▸ Next steps for each process area including monitoring and reporting – a plan across each of the process areas has been set out with the individuals identified for delivering the plan. This is supported by a schedule for monitoring and reporting across the areas. ▸ Comms plan – we propose an organisation-wide communication strategy to articulate the importance of controls and compliance including the scope of this work undertaken. This includes holding a launch / engagement day. ▸ Training roadmap – the outlined roadmap aims to enhance control effectiveness and foster risk awareness. This approach equips staff at all levels with skills and knowledge to align with control frameworks and risk practices.
2	Implementing longer term interventions focuses on the next steps required to deliver longer term changes across the organisation. The Council must integrate remediating controls into a new operational framework, signalling a broad cultural shift with leadership support. While finance oversees financial control, all parts of the organisation must share responsibility and communication with non-financial officers clarifies their role in stewarding funds. A 3 lines of defence model, adapted for the Council, involves operational management, risk functions, and internal audit: ▸ First line – operational management who own and manage risks. An example of this would be a grant responsible officer, who ensures compliance with grant conditions throughout the grant lifecycle. ▸ Second line – functions who help to monitor the first line of defence and ensure compliance with applicable laws and regulations, such as risk assurance teams. ▸ Third line – Provide independent assurance on controls, provided by bodies such as the internal audit function, or external audit team.

5.1 Mobilising the remediating actions

Next steps across the process areas

A comprehensive plan has been detailed against each process area in Appendix 6.4 outlining necessary steps for initiation, approval and integration within each respective area. This also defines responsibility per individual in Appendix 6.2. This plan will amplify the FIP and create a structured framework that promotes collaboration, accountability, and successful execution of controls throughout the Council's processes.

Monitoring and feedback mechanisms are essential across all identified process areas; the following our proposed:

Action	Approach
Establish robust monitoring to track implementation progress (Immediate), with overarching accountability resting with Deputy S151.	A schedule has been provided in the Appendix for the reporting and monitoring required across the process areas.
Establish a comprehensive system to evaluate effectiveness of remediation measures (Immediate)	The Council should implement a comprehensive system to evaluate control effectiveness. This involves thorough testing and assessment to verify functionality and efficiency. Proposed measures introduced should be integrated into the scope of Internal Audit testing moving forward, with implementation leads feeding into this exercise. Systematic control evaluations aim to promptly identify gaps or shortcomings, enabling corrective actions.
Establish a clear escalation route for controls not implemented by a fixed date (Sept 2023)	Challenges may inevitably arise during implementation. To address these, the Council will establish a targeted response mechanism that facilitates protocols for identifying, escalating, and resolving issues hindering implementation progress. A structured approach enables the Council to swiftly address obstacles and maintain implementation momentum. Internal Audit and implementation leads should raise these issues, reflecting them in the FIP for subsequent action formulation and monitoring.
Refined entity wide controls focused monitoring and whistleblowing process	The Council should establish a focused monitoring and whistleblowing process that allows for a means of communicating any examples of where controls are being overridden to support steps that may be necessary to improve the culture of compliance across NCC.

This should follow the current general whistleblowing policy currently in place at NCC. The key is to determine the individuals for whom complaints shall be raised to, and escalated to thereafter. |

We have set-out a detailed schedule within Appendix 6.5 detailing owner and frequency of monitoring.

Communication

Transparent communication is fundamental to building understanding and commitment across all levels of the Council. The following actions are proposed:

▸ Communicate initial findings to all stakeholders within the Council
The Council should employ a communication strategy after releasing the first report, which identified various issues. This strategy must clearly convey the identified challenges and their potential impacts on the organisation. It reaffirms the Council's commitment to address these concerns promptly and effectively.

▸ Highlighting remediations efforts taken to resolve Control Issues
Subsequent steps should mean that ongoing remediation efforts are comprehended and valued by the Council and stakeholders. This involves proactively communicating specific measures being implemented to rectify the reported issues. By sharing information about these remediations, the Council aims to amplify transparency and accountability in its journey toward improvement.

▸ Formal Launch Event / Controls Remediation Engagement Day
To further aid both engagement and implementation, a formal launch event is recommended to highlight remediation efforts. This exercise will aim to comprehensively communicate the

changes to different areas across the Council. It will particularly highlight the implications and actions required for various stakeholders, including business partners, transaction teams, service managers, and SROs for grants. Appendix 6.3 provides further details about these role-specific communications.

The Council should schedule engagement days each quarter over the coming year to fortify their control environment. These days will offer a platform for broader stakeholders to contribute feedback and deepen their comprehension of roles and compliance expectations.

Training Roadmap

As part of a commitment to reinforcing control effectiveness and fostering a risk-aware culture within the Local Authority, a Training Roadmap has been developed. This roadmap outlines a structured approach to enhancing the competence and awareness of staff across the Council. The primary objective of this Training Roadmap is to equip employees with the necessary skills, knowledge, and understanding to effectively execute their roles in line with the Council's control framework and risk management practices.

Refer to Appendix 6.6 where we have set a training roadmap for each of the process areas.

5.2   Implementation of longer-term interventions

The Council must integrate remediating controls into a new operational framework, signalling a broad cultural shift with leadership support. While finance oversees financial control, all parts of the organisation must share responsibility and communication with non-financial officers clarifies their role in stewarding funds. The 3 lines of defence model, adapted for the Council, involves operational management, risk functions, and internal audit. Periodic reviews will cultivate a culture of continuous improvement, enhancing the Council's agility in responding to emerging risks.

It is of paramount importance that the Council embeds the remediating controls into a new way of working. There needs to be a clear signal from leadership that this is an organisational reset, and that the interventions proposed are not a short-term solution, but part of a broader culture shift at the Council.

Whilst the Finance Function is ultimately accountable for the level of financial control within the Council, a cross-organisational responsibility exists. Communication with non-financial Council officers should make clear the role that they have to play in the robust stewardship of taxpayer's funds. A risk approach widely adopted is the 3 lines of defence model. The Council should consider formalising a similar approach to suit their needs:

- First line – operational management who own and manage risks. An example of this would be a grant responsible officer, who ensures compliance with grant conditions throughout the grant lifecycle.
- Second line – risk management functions who help to monitor the first line of defence and ensure compliance with applicable laws and regulations.
- Third line – risk assurance, provided by the internal audit function.

In time, as processes are embedded, the Council should adopt a model whereby it periodically reviews its control environment and risk appetite. This will help foster a culture of continuous improvement, which will enable the Council to be flexible and adaptive when responding to emerging risks.

In addition, a robust monitoring and whistleblowing policy must be developed and circulated to all individuals at NCC who are involved throughout the three lines of defence for when controls are overridden or for general instances of non-compliance. The policy should follow the principles of the current NCC Whistleblowing Policy and make it clear to individuals at each line of defence who they should raise complaints to, and the safeguards surrounding raising of concern.

The following steps aim to set-out how the three line defence model can be integrated into the Council:

First line:

- Communication of Roles and Responsibilities: The defined roles and responsibilities must be effectively communicated to relevant stakeholders across the organisation. This clear communication ensures that each individual understands their part in the risk management process.
- Accessibility of Roles and Responsibilities: Make the revised roles and responsibilities easily accessible to all staff members through the Intranet. Designate a key contact within each directorate who can assist in clarifying roles and responsibilities and identifying training needs.
- Training and Capacity Building: Identify and outline training needs aligned with the new roles and responsibilities. Integrate these training needs into regular training programs within respective service areas, led by senior officers. This means that individuals are equipped with the necessary knowledge and skills to fulfil their risk management roles effectively.

Second line:

- Identification of Risk Management Functions: The Council must proactively identify individuals responsible for risk management functions across various departments. These functions should be well-defined and aligned with the organisation's objectives, particularly aligned to risks noted within FIP (including EY exercise).
- Development of Risk Management Framework: Develop a comprehensive risk management framework that clearly outlines the responsibilities, processes, and reporting lines for risk management functions. This framework should be communicated widely and integrated into the organisational structure.
- Centralised Risk Reporting: Establish a mechanism for centralized risk reporting to ensure consistent and standardised reporting of risks across different departments. This central reporting hub aids in aggregating and analysing risk data for informed decision-making (the Audit Committee can serve this purpose).

Third line:

- Review and Alignment of Internal Audit Plan: Evaluate the existing Internal Audit plan and align it with the objectives outlined in the FIP. Ensure that each process area within the FIP is appropriately covered in the Internal Audit plan.
- Revised Internal Audit Plan: Develop a revised Internal Audit plan that aligns with the FIP and addresses identified control areas. The plan should outline the scope, objectives, and methodologies for each audit.
- Reporting and Action: Share the audit findings within the Audit Committee. Devise actionable plans to address identified weaknesses and deficiencies, ensuring that corrective actions are assigned and monitored for completion.
- Integration with Control Effectiveness Evaluation: This process of Internal Audit review and action should be integrated with the comprehensive system set out in step 5.2, ensuring that the effectiveness of controls and risk management is assessed holistically.

By following these steps, the Council can establish a robust '3 lines of defence' model that enhances risk management, accountability, and control throughout the organization's operations. This comprehensive approach ensures that risk management becomes an ingrained part of the Council's culture and operations.

6. Appendix

6.1 Identified Control Weaknesses Mapped to Remediations

Process area	Control weakness	Control reference and Type
1) AR: Grant Receive to Record	Lack of training on grant conditions, poor understanding in many services of grant restriction	AR3 (Preventive)
	Approval of grant submissions and expenditure without sufficient underlying evidence	AR1 (Preventive) AR2 (Preventive)
2) AP: Purchase to Pay	Frequent lack of underlying evidence for invoice approvals	P2P3 (Detective)
	Multiple invoices charged through single transaction invoices where grand total mismatch with transaction value	P2P4 (Preventive) PP5 (Detective)
	Examples where lack of three-way match achieved (comparing the purchase order, invoice, and goods/services receipt to make sure they match, prior to approving the invoice)	P2P2 (Preventive)
	Some approved transactions supersede financial thresholds as per authority matrix; and violate cost centre restrictions as per authority matrix	P2P1 (Preventive)
	Examples of Purchase orders that are issued post invoice issuance	P2P3 (Detective)
3) Reporting: Record to Report	Narration of journals often incomplete and opaque on the purpose of the expenses, inhibiting audit and user insight	RR2 (Corrective)
	Council is unable to separate out cost of processing an initial license application from those costs associated with on-going administration	RR4 (Preventive)
	No preventative controls on automated journals; processed without approval if not reviewed within 48 hours	RR1 (Corrective)
	Lack of any process to govern funds transfer between project components (sub-projects) as there is no review mechanism while authorising the journal	RR3 (Preventive)
4) AP: Goods Receipting	Preventative controls insufficient for material items that are allowing for accruals to be booked without appropriate evidence	GR1 (Detective)
		GR2 (Preventive)
	Examples of accruals being undertaken where goods not receipted and whilst acknowledging training that has taken place in recent years, issues still prevalent where controls can be overridden or circumnavigated	GR3 (Detective)
		GR4 (Detective)
5) Procurement Process	Reconciliations between the Contract Register Total Contract Value and Supplier spend not undertaken	PP1 (Preventive) PP2 (Corrective)
	Ineffective controls to inhibit the raising of orders retrospectively	PP3 (Preventive)
	Lack of proper documentation where transactions are exempt from NCC defined policy procedures i.e. transaction is exempt form procurement procedures	PP4 (withing P2P) (Preventive)
6) Services: Recharges	Council has no refresh rate for the Recharges Policy and many recharges based on a model in excess of five years old	R1 (Preventive)
	Council has no process for reciprocated recharges against corporate services	R2 (Preventive)
	Recharges are undertaken against budget in some instances, devaluing the effectiveness of the recharge process	R3 (Detective)
	Recharges frequently transacted without a review or reconciliation to cost drivers	R2 (**Preventive**)
	Lack of transparency in charging staff salaries where staff are drawn from NCC pooled resources	HRExp.1 (Detective)

Process area	Control weakness	Control reference and Type
7) HR and Expense Processes	Lack of transparency and documentation to book HR expenses where staff are providing services to multiple cost centres	HRExp.2 (Preventive) **R2 (Preventive)** **R3 (Detective)**
	Staff salaries charged in general cost centre and subsequently transferred to different licenses without any approval process and review of appropriate supporting documents i.e. timesheets or any other suitable time tracking arrangement	HRExp.3 (Preventive) **R1 (Preventive)**
8) System Reporting	Few overarching monitoring control or control breach reports	SR3 (Corrective) SR4 (Preventive)
	Year-end processes inconsistent: cannot adjust life span (prospectively) for licenses based on historical results / performance to reconcile surplus or deficit in future years	SR2 (Preventive)
	Lack of mechanism to ensure that license fees are broadly cost neutral in budgetary terms	**SR1 (Preventive)**
	Lack of mechanism to track surplus or deficit generated by certain licenses over the license life	SR1 (Preventive) SR5 (Corrective)
9) Segregation of certain financial activities	Key financial arrangements requiring formal ring-fencing due to statutory obligations or grant conditions lacking formal segregation and ring-fencing within financial management approach	RF1 (Preventative) RF3 (Preventative)
	Limited means of controlling expenditure in line with service specific obligations	RF2 (Detective)
10) Systems Access	Identified weakness in granting and monitoring systems access with particular respect to the granting of temporary access with limited protocol and approval documentation	SA2 (Preventive)
	System not flagging where access is maintained outside of authorised approvals hindering the robustness of the delegated authority matrix	SA1 (Detective)

6.2 Long term controls

Process area	Controls to implement	Control reference and Type
2) AP: Purchase to Pay	**Training must be provided to Oracle users before role base access is granted.** 1. Initiate a training program for employees/new joiners within the P2P department and enrol them for ensuring compliance who are/will be responsible for raising invoices to adhere to the policy. 2. To include clear principle of 'No PO No Pay' 3. Employees must attend the training in advance of Oracle access being granted 4. Kefron software to be configured in line with the exception list broad categories and supplier type for proper matching of invoices with PO and Non Po Invoices	P2P4 (Preventive)
3) Reporting: Record to Report	On a biweekly basis, the technical finance team to review revenue journals posted to the GL, sampling the five largest transactions and five random journals (10 in total) from across the 'source categories' to ensure staff are compliant against journal policy and instructions.	RR9 (Detective)
4) AP: Goods Receipting	Perform a year-end reconciliation between the purchase orders (PO) and goods received notes (GRN), using this reconciliation as a reference to validate the accrual journal raised at year-end.	GR3 (Detective)
	On a yearly basis, Technical Finance Team lead to approve the list of permitted individuals (from Commercial & Technical Team) with access to approval of Accruals on system. The list is agreed on E-mail and Finance Team Lead to complete the process before year-end.	GR2 (Preventive)
8) System Reporting	Develop a report/ dashboard within Oracle Fusion which shows each licensing cost centre and the associated revenue/costs. The report will identify which licenses have a large surplus/deficit for review by the Licensing Operations (LO) team. This will allow the LO team to monitor the licensing surplus/deficit on a monthly basis to ensure the fees are appropriate for all licenses at NCC, and adjustments can be made if not. It will also allow the LO team to ensure each license is operating in line with its statutory obligations.	SR5 (Detective)
	Monitor effectiveness of the FIP Fusion updates to ensure long term implementation	SR6 (Detective)
	Implement measures to ensure appropriate individuals/teams are signing off the use of funds for ring-fenced areas	SR7 (Preventive)
	When the Licensing application CX comes into production usage for NCC in December 2023 (replacing Flare), ensure licensing reports are devised and implemented at inception to avoid the risk of control weaknesses in the future	SR8 (Preventive)
9) Segregation of Certain Financial Activities	On a yearly basis the Head of the Licensing Operations (LO) team will review the licensing costing process (RF3) and associated assumptions ensure they remain appropriate. A documented formal approval is required each year, and every 3 years the model must be updated with reviewed in-depth and updated with new assumptions	RF4 (Corrective)
	Develop a training programme with a corresponding robust policy document for finance team members to ensure successful implementation of ring fencing financial management approach	RF5 (Detective)
10) Systems Access	Introduce auto-provisioning throughout NCC. i.e. all roles within NCC have specific certain role accesses depending on the position.	SA3 (Preventive)

Process area	Controls to implement	Control reference and Type
	This will automate the process within NCC make the provisioning of role permissions more efficient	

Process area	Controls to implement	Control reference and Type

6.3   Control mapping to NCC stakeholders

Process area	Control reference	Finance Business partner	Transaction team	Service manager	Technical Finance Team	HR
1) AR: Grant Receive to Record	**AR1.** Define a Grant Champion or Senior Responsible Officer (SRO) role and determine expectations and responsibilities for individuals in this role. Services to identify grant leads for each grant. Alternatively assign accountability role to HoS or Director (SRO). (Preventative)	✓		✓	✓	
	AR2. Outline the process of the grant lifecycle i.e. from grant identification through to grant reporting, highlighting responsibilities along the lifecycle for key stakeholders involved in the process. (Preventative)	✓		✓	✓	
	AR3. Ensure the Grant Register is comprehensive, utilised and accessed properly – and instructions are effective and clear. (Preventative)			✓	✓	
2) AP: Purchase to Pay	**P2P1.** Develop a comprehensive list ('Exception List') of specific cases in which purchase orders (POs) are not required for placing orders. Exceptions list is led by the transaction team that disseminate clear instructions to the entire service-wide team regarding the revised procedure for handling non-PO invoices. (Detective)	✓	✓	✓	✓	
	P2P2. Strict no PO, no pay policy. For any payments which do not have a PO, these must have a completed Justification Form, and be approved by the finance business partner responsible for that cost centre. (Preventative)	✓	✓	✓		
	P2P3. Amend configuration on Oracle Fusion to enforce three way match of Invoice, Receipt and PO. (Preventative)	✓	✓	✓	✓	
	P2P4. Implement a mandatory End Date within Oracle Fusion when creating Approval Delegations to mitigate risk of individuals having inappropriate access for extended periods of time (Preventative)		✓	✓	✓	
3) Reporting: Record to Report	**RR1.** Implement hard stop to the system to prevent journals being automatically authorised without signature after 48 hrs (Corrective)	✓			✓	
	RR2. Amend ORACLE configuration to ensure all Journals are authorised prior to posting onto the GL (Corrective)	✓			✓	
	RR3. Teams to ensure no transaction is processed without a 'Journal Evidence' form on Firm Step including Finance Staff for Journals with a control total below £20k. All journal evidence must be saved within the central filing system. (Preventative)	✓		✓	✓	
	RR5. Configure ORACLE to a 2-tier system approval so that the project manager can approve timesheets feeding into Projects			✓	✓	

Process area	Control reference	Finance Business partner	Transaction team	Service manager	Technical Finance Team	HR
	Module in addition to the Supervisor for capital transactions (Preventative)					
	RR6. Disable internal recharge capability (automated journals) within ORACLE timesheet so that undue time cannot be charged to capital projects (Corrective)				✓	
	RR7. Implement a compulsory standardized Journal Evidence Form that supervisors and project managers must complete prior to reviewing or endorsing Journals. (Preventative)			✓	✓	
	RR8. Create further Cost Centres (in addition to the current 5) from which licensing costs can be budgeted and managed, to allow full transparency of licensing costs charged to each regime (Preventative)	✓		✓	✓	
4) AP: Goods Receipting	**GR1.** Per transaction, the Accrual request approver from the Business Partnering Team (First level Reviewer) and Technical Team (Second Level Reviewer) reviews every Accrual for appropriateness of input details and review of attached evidence per the year-end accrual policy on the intranet with the additional key check being the inclusion of a Purchase Order (PO). (Detective - Review)	✓	✓	✓	✓	
	GR2. On a yearly basis, Technical Finance Team lead to approve the list of permitted individuals (from Commercial & Technical Team) with access to approval of Accruals on system. The list is agreed on E-mail and Finance Team Lead to complete the process before year-end. (Preventative)	✓		✓	✓	
	GR3. Perform a year-end reconciliation between the purchase orders (PO) and goods received notes (GRN), using this reconciliation as a reference to validate the accrual journal raised at year-end. (Detective - Review)			✓	✓	
	GR4. FBP and Purchase Requisitioner bi-monthly review of open PO's (Detective - Review)	✓	✓	✓		
5) Procurement Process	**PP1.** As part of regular budget monitoring, the FBP reviews the 'Spend Analysis Tool' for expenditure close to contracted limits (ie over 90%) to ensure that contracted amounts are not exceeded. All exceptions are followed up with the relevant cost centre manager, with confirmation sought that spend will not exceed the contracted amount. (Preventative)	✓		✓		
	PP2. On a weekly basis, the transaction team reviews the 'Spend Analysis Tool' for expenditure over contracted amounts (ie over 100%) to ensure that contracted amounts are not further exceeded. All exceptions are followed up with the relevant cost centre manager, with confirmation		✓	✓		

Process area	Control reference	Finance Business partner	Transaction team	Service manager	Technical Finance Team	HR
	sought that spend will not continue and/or additional contracts are in place. (Corrective)					
	PP3. For any exemption request, this must be submitted to the Head of Procurement who will check for appropriate supporting evidence (form) or a relevant exemption. Any instances of policy not being followed should be reported to the individual's line manager. (Preventative)		✔	✔		
	PP4. (within P2P) Introduce strict no PO, no pay rule. Exception list under development by P2P working group (Preventative) (Additional since June)		✔	✔		
	PP5. On a monthly basis, transactional team will review the AP dashboard for any invoices paid without POs. Any invoices paid without a PO will be investigated with the relevant cost centre manager, with additional training provided where relevant. (Detective) (Additional since June)		✔	✔		
6) Services: Recharges	**R1.** Update Council wide Recharges Policy during Summer 2023, and for each Budget setting period. This should include reference to Actual performance data, rather than historic budgeted values. (Preventative)				✔	
	R2. All recharges must be reviewed by a second party (eg a line manager or the corresponding budget manager). Reviewers should confirm that the recharges template has been filled in, and that the recharges is on the master list of permitted recharges. (Preventative)	✔		✔	✔	
	R3. On a monthly basis, a member of finance to review a sample of 5 recharges to confirm they are in line with Policy, permitted per the recharges master list, and appropriately calculated/coded. Any exceptions should be investigated with the poster of the recharge. (Detective) (Additional since June)				✔	
7) HR and Expenses Processes	**HrExp1.** On a monthly basis, select a random sample of 5 OTL (timesheet) entries, and confirm with Timekeeper (line manager) that time is appropriately coded to the correct cost centre. Any instances of incorrect coding should be corrected with a journal by finance. Additional training should be provided to Timekeepers where necessary. (Detective - Review)	✔		✔		✔
	HRExp2. related to journal evidence for recharge journals and has been covered by the following: **R2.** All recharges must be reviewed by a second party (eg a line manager or the corresponding budget manager). Reviewers should confirm that the recharges template has been filled in, and that the recharges is on the master list of permitted recharges. (Preventative)	✔		✔	✔	

Process area	Control reference	Finance Business partner	Transaction team	Service manager	Technical Finance Team	HR
	R3. On a monthly basis, a member of finance to review a sample of 5 recharges to confirm they are in line with Policy, permitted per the recharges master list, and appropriately calculated/coded. Any exceptions should be investigated with the poster of the recharge. (Detective) (Additional since June)					
	HRExp3. related to journal evidence for recharge journals and has been covered by the following: **R1.** Update Council wide Recharges Policy during Summer 2023, and for each Budget setting period. This should include reference to Actual performance data, rather than historic budgeted values. (Preventative)				✓	
8) System Reporting	**SR1.** Create and maintain a separate account or ledger to monitor the financial performance for each license, with sole access to the process owner initially to allow monitoring of surplus/deficit whilst the 'review process' becomes more refined. (Preventative)	✓		✓	✓	
	SR2. Develop a report/ dashboard within Flare which shows the date of renewal for every license. This will allow Finance to more accurately account for licensing revenue/ costs based on the renewal date, rather than relying on the initial start date of license. (Preventative)	✓		✓		
	SR3. Review current Oracle reports/ dashboards prepared by Senior Finance Analyst (Reporting) to assess if they are or can be utilised to resolve control weaknesses across the process areas. Then if there are any gaps identify additional reports that should be created and implemented. (Corrective)	✓	✓		✓	
	SR4. Identify key users/ process owners for each report and implement a training / implementation strategy to promote increased usage of the reports. (Preventative)	✓	✓	✓	✓	
9) Segregation of Certain Financial Activities	**RF1.** NCC need to implement a coding structure that allows for sufficient granularity to enable ongoing reporting requirements for licensing. Initially, this was proposed to be a separate cost centre for each license. It is recognised that it was operationally challenging to have separate cost centres for each license, given the volume of licenses the Council manages, therefore the SFBP at NCC is working with the service area to develop an operationally feasible approach for licensing. (Preventative)	✓		✓	✓	
	RF2. Introduce a formal review by a senior finance member within the recharges process to ensure internal recharges to ring-fenced regimes are not approved, and the	✓		✓	✓	

Process area	Control reference	Finance Business partner	Transaction team	Service manager	Technical Finance Team	HR
	corresponding journal entries not posted. This will ensure statutory obligations / grant conditions are met and segregation of financial activities are ensured. (Detective)					
	RF3. Introduce a formal process with robust assumptions for allocating licensing costs between the newly developed license cost centres (RF1). NCC can implement a 'time in progress' system which identifies the amount of time the administration and enforcement of each license historically takes, and then allocate the costs based on these assumptions. (Preventative)	✔		✔		
10) Systems Access	**SA1.** Extract an initial report to identify all current temporary approval delegations, and then ensure through inquiry that all individuals have appropriate access and revoke those who do not.		✔		✔	
	SA2. Implement a mandatory End Date within Oracle Fusion when creating Approval Delegations to mitigate risk of individuals having inappropriate access for extended periods of time. (Preventative)		✔		✔	

6.4   Control Implementation Plan

The control implementation plan below includes implementation steps and timeline that was correct as at 17th April 2024. Controls which have been implemented are shown in Table 1, with controls in the process of implementation shown in Table 2,

Table 1 - Implemented

Process area	Control reference	Steps for Implementation
1) AR: Grant Receive to Record	**AR1.** Define a Grant Champion or Senior Responsible Officer (SRO) role and determine expectations and responsibilities for individuals in this role. Allocate a grant champion within each 'Directorate' and within the grant register for each grant area. Alternatively assign accountability role to HoS or Director (SRO). (Preventative)	Control is live.
	AR2. Outline the process of the grant lifecycle i.e. from grant identification through to grant reporting, highlighting responsibilities along the lifecycle for key stakeholders involved in the process. (Preventative)	Control is live.
	AR3. Ensure the Grant Register is comprehensive, utilised and accessed properly – and instructions are effective and clear. (Preventative)	Control is live.
2) AP: Purchase to Pay	**P2P3.** Amend configuration on Oracle Fusion to enforce three way match of Invoice, Receipt and PO. (Preventative)	Control is live.
	P2P4. Implement a mandatory End Date within Oracle Fusion when creating Approval Delegations to mitigate risk of individuals having inappropriate access for extended periods of time (Preventative)	Control is live.
3) Reporting: Record to Report	**RR1.** Implement hard stop to the system to prevent journals being automatically authorised without signature after 48 hrs (Corrective)	Control is live.
	RR2. Amend ORACLE configuration to ensure all Journals are authorised prior to posting onto the GL (Corrective)	Control is live.
	RR3. Finance team to ensure no transaction is processed without a 'Journal Evidence' form on Firm Step including Finance Staff for Journals with a control total below £20k. All journal evidence must be saved within the central filing system. (Preventative)	Control is live.

Process area	Control reference	Steps for Implementation
	RR5. Configure ORACLE to a 2-tier system approval so that the project manager can approve timesheets feeding into Projects Module in addition to the Supervisor for capital transactions (Preventative)	Control is live.
	RR7. Implement a compulsory standardized Journal Evidence Form that supervisors and project managers must complete prior to reviewing or endorsing Journals. (Preventative)	Control is live.
4) AP: Goods Receipting	**GR1.** Per transaction, the Accrual request approver from the Commercial team (First level Reviewer) and Technical Team (Second Level Reviewer) reviews every Accrual for appropriateness of input details and review of attached evidence per the Intranet policy with the additional key check being the inclusion of a Purchase Order (PO). (Detective - Review)	Control implemented, pending comms on intranet (to be drafted by Technical Finance team leader as part of annual financial close process).
	GR2. On a yearly basis, Technical Finance Team lead to approve the list of permitted individuals (from Commercial & Technical Team) with access to approval of Accruals on system. The list is agreed on E-mail and Finance Team Lead to complete the process before year-end. (Preventative)	Annual control implemented, with Technical Finance Team Lead to perform as part of annual financial close process.
	GR3. Perform a year-end reconciliation between the purchase orders (PO) and goods received notes (GRN), using this reconciliation as a reference to validate the accrual journal raised at year-end. (Detective - Review)	Annual control implemented, to be performed as part of annual financial close process. 1) Finance Manager extracts the reconciliation between PO and GRN from the three-way match. (March 2024) 2) Performs Reconciliation which is reviewed by Technical Finance Team leader.
	GR4. Transactional team and Purchase Requisitioner bi-monthly review of open PO's (Detective - Review)	Control agreed, design in finalisation. To be completed and then agree steps for implementation.
5) Procurement Process	**PP1.** On a monthly basis, the Procurement team reviews the 'Spend Analysis Tool' for expenditure close to contracted limits (ie over 90%) to ensure that contracted amounts are not exceeded. All exceptions are followed up with the relevant cost centre manager, with confirmation sought that spend will not exceed the contracted amount. (Preventative)	Control implemented,
	PP2. On a weekly basis, the Procurement Team	Control implemented,

Process area	Control reference	Steps for Implementation
	reviews the 'Spend Analysis Tool' for expenditure over contracted amounts (ie over 100%) to ensure that contracted amounts are not further exceeded. All exceptions are followed up with the relevant cost centre manager, with confirmation sought that spend will not continue and/or additional contracts are in place. (Corrective)	
	PP3. For any exemption request, this must be submitted to the Head of Procurement who will check for appropriate supporting evidence (form) or a relevant exemption. Any instances of policy not being followed should be reported to the individual's line manager. (Preventative)	Changes to policy drafted.
	PP5. On a monthly basis, a Strategic Finance Business Partnering team will review the AP dashboard for any invoices paid without POs. Any invoices paid without a PO will be investigated with the relevant cost centre manager, with additional training provided where relevant. (Detective) (Additional since June)	Control implemented.
6) Services: Recharges	**R1.** Update Council wide Recharges Policy during Summer 2023, and for each Budget setting period. This should include reference to Actual performance data, rather than historic budgeted values. (Preventative) **HRExp3.** related to journal evidence for recharge journals and has been covered by this control.	Control implemented, pending rollout in stakeholder communications.
	R2. All recharges must be reviewed by a second party (eg a line manager or the corresponding budget manager). Reviewers should confirm that the recharges template has been filled in, and that the recharges is on the master list of permitted recharges. (Preventative) **The following controls are also remediated by control R2** **HRExp2.** related to journal evidence for recharge journals and has been covered by this control. **RF2.** Introduce a formal review by a senior finance member within the recharges process to ensure internal recharges to ring-fenced	Control implemented, pending rollout in stakeholder communications.

Process area	Control reference	Steps for Implementation
	regimes are not approved, and the corresponding journal entries not posted. This will ensure statutory obligations / grant conditions are met and segregation of financial activities are ensured. (Detective)	
	R3. On a monthly basis, Technical Finance team to review a sample of 5 recharges to confirm they are in line with Policy, permitted per the recharges master list, and appropriately calculated/coded. Any exceptions should be investigated with the poster of the recharge. (Detective) (Additional since June)	Control implemented, pending rollout in stakeholder communications.
8) System Reporting	**SR3.** Review current Oracle reports/ dashboards prepared by Financial Systems team to assess if they are or can be utilised to resolve control weaknesses across the process areas. Then if there are any gaps identify additional reports that should be created and implemented. (Corrective) **SR4.** Identify key users/ process owners for each report and implement a training / implementation strategy to promote increased usage of the reports. (Preventative)	Policy implemented and communicated. Policy to be refreshed on an annual basis by Financial Systems team.
9) Segregation of Certain Financial Activities	**SR2.** Develop a report/ dashboard within Flare which shows the date of renewal for every license. This will allow Finance to more accurately account for licensing revenue/ costs based on the renewal date, rather than relying on the initial start date of license. (Preventative)	Control is live.
10) Systems Access	**SA1.** Extract an initial report to identify all current temporary approval delegations, and then ensure through inquiry that all individuals have appropriate access and revoke those who do not. (Corrective)	Control is live.
	SA2. Implement a mandatory End Date within Oracle Fusion when creating Approval Delegations to mitigate risk of individuals having inappropriate access for extended periods of time. (Preventative)	Control is live.

Table 2 - Remediations Designed, NCC in Process of Implementing

Process area	Control reference	Steps for Implementation
2) AP: Purchase to Pay	A number of controls have been grouped relating to the implementation of the No PO, No Pay policy. Implementation steps cover all of the controls below. **P2P1.** Develop a comprehensive list ('Exception List') of specific cases in which purchase orders (POs) are not required for placing orders. Disseminate clear instructions to the entire service-wide team regarding the revised procedure for handling non-PO invoices (Detective) **P2P2.** Strict no PO, no pay policy. For any payments which do not have a PO, these must have a completed Justification Form, and be approved by the finance business partner responsible for that cost centre. (Preventative) **PP4. (within P2P)** Introduce strict no PO, no pay rule. Exception list under development by P2P working group (Preventative) (Additional since June)	Implementing a No PO No Pay policy requires a significant change in working practices and changes in technology. NCC are making good progress against the plan outlined during the Controls Remediation project. After a 'soft launch' implementation of the policy from November 2023, additional training will be provided to staff and suppliers, during April 2024. This policy will be operationally mandated with adherence enforced (ie a 'hard launch') from July 2024.
3) Reporting: Record to Report	**RR6.** Disable internal recharge capability (automated journals) within ORACLE timesheet so that undue time cannot be charged to capital projects (Corrective)	This control will be remediated by July 2024, through Oracle Fusion system improvements, including for the Capital module. System updates will be supported by training and communication activities to help to embed new ways of working in the finance team.
7) HR and Expenses Processes	**HrExp1.** On a monthly basis, select a random sample of 5 OTL (timesheet) entries, and confirm with Timekeeper (line manager) that time is appropriately coded to the correct cost centre. Any instances of incorrect coding should be corrected with a journal by finance. Additional training should be provided to Timekeepers where necessary. (Detective - Review)	This control will be remediated through training being provided to budget managers between April and July 2024.
9) Segregation of Certain Financial	The following controls all relate to Licensing and have been grouped. **RF1.** For each type of license, introduce a	These controls relate to relate to coding structure improvements for ring-fenced accounts and strengthened monitoring processes to ensure operational compliance.

Process area	Control reference	Steps for Implementation
Activities	separate cost centre within Oracle Fusion and also specific GL codes for the revenue/ costs of each license (ensuring there are distinguishable GL codes for both 'application fees' and 'enforcement costs'). This will allow NCC to accurately monitor the surplus/ deficit of each license to ensure it is in line with their statutory obligations. (Preventative) **RF3.** Introduce a formal process with robust assumptions for allocating licensing costs between the newly developed license cost centres (RF1). NCC can implement a 'time in progress' system which identifies the amount of time the administration and enforcement of each license historically takes, and then allocate the costs based on these assumptions. (Preventative) **RR8.** Create further Cost Centres (in addition to the current 5) from which licensing costs can be budgeted and managed, to allow full transparency of licensing costs charged to each regime (Preventative) SR1. Create and maintain a separate account or ledger to monitor the financial performance for each license, with sole access to the process owner initially to allow monitoring of surplus/deficit whilst the 'review process' becomes more refined. (Preventative)	Training and communication to be completed by the end of June 2024.

6.5   Monitoring & Reporting

The frequency of monitoring and reporting in the table below is indicative, with NCC to determine a frequency which is operationally feasible and adequately addresses control risk.

Process area	Key Monitoring Points Identified	Frequency	Owner
1) AR: Grant Receive to Record	Lifecycle 1) Sign-off against pursue of grant (SRO) 2) Review of grant application (s151) 3) Monitoring of Compliance Report 4) Grant performance Report 5) Close-out / Audit Report Submission Grant Register 1) Review of Grant register prior to rolling out to wider team 2) Grant register year-end reconciliation to GL	Lifecycle Per grant award / application (if applicable) Grant Register 1) Annual 2) Monthly/Annual	Lifecycle Refer to 1B Grant Register 1) Technical Team 2) Finance Team
2) AP: Purchase to Pay	Review the NCC payments report to identify the exceptions where an invoice has been raised, flag exceptions and identify	Monthly (NCC Payments Extract Report)	P2P Manager

Process area	Key Monitoring Points Identified	Frequency	Owner
	individuals within the department who are still continuing to do the same.		
3) Reporting: Record to Report	Revenue Journals 1) Review of journal instructions based on monitoring and feedback of effectiveness of measures in place. 2) Monitoring of compliance against journal instructions report Capital Journals 1) Feedback report from Highways Finance on effectiveness of transition from intra-project codes to capital codes 2) Project summary report detailing which dates project codes were opened highlighting un-identified intra-projects. 3) Monitoring of 'Time and Labour' charged directly via manual journals prompting correction to be charged via OTL.	Revenue Journals 1) Bi-annual 2) Bi-weekly Capital Journals 1) Monthly (until successful transition) 2) Monthly 3) Quarterly	Revenue Journals 1) Technical Finance Team 2) To be determined by NCC (Refer to 6.7 – 3C) Capital Journals 1) Highways Finance Team 2) Technical Team 3) Technical Team
4) Goods Receipting	1) Commercial and Finance team to ensure POs are attached to every Accrual posted as part of reviews (review System rejections) 2) Year-end, Technical Finance team to ensure Accrual approver list is limited to authorized individuals (evidenced on email) 3) Year-end reconciliation between PO/ GRN used to validate accrual journal 4) Open POs beyond 6 and 12 months status on PowerBi dashboards	Monthly (1 and 4) Yearly (Control 2 and 3)	1) Commercial/ Technical Finance 2) Technical Finance 3) Technical Finance 4) FBPs
5) Procurement Process	1) Review of Procurement dashboard for spend over 90% of contracted value 2) Review of Procurement dashboard for spend over 100% of contracted value	1) Monthly 2) Weekly	
6) Services: Recharges	1) Review of sample of 5 recharges each month to ensure they are in line with Policy 2) As part of revised recharges policy, review mid year position against forecast to determine if recharges are being apportioned on an appropriate basis	1) Monthly 2) 6 monthly	Technical Finance team
7) HR and Expense Processes	1) Review of sample of 5 OTL timesheet entries each month to ensure they are coded to the correct cost centre	1) Monthly	HR team manager
8) System Reporting	1) Review and update of System Reporting Policy document 2) Update of start / renewal dates of each license on Oracle Fusion	1) Annually 2) Monthly	Senior Systems Analyst
9) Segregation of certain financial activities	1) Monthly/ Quarterly/ Yearly monitoring of surplus/ deficit of each license. 2) Monthly/ Quarterly/ Yearly update of cost allocation offline model to calculate allocation of licensing costs 3) Cost allocation model assumptions and policy refreshed	1) & 2) Monthly/ Quarterly/ Yearly 3) Annually	Finance Business Partners
10) Systems Access	1) Perform temporary Approval Delegations Review Control	Monthly	Senior Systems Analyst

6.6   Training Roadmap

Process area	Key Training Identified	Frequency	Department	Suggested Lead	Proposed Timeline
1) AR: Grant Receive to Record	1) Educate wider team on conditions and appropriate documentation with respect to each grant awarded	Per Grant Award	All Service Areas	Finance Team & Responsible Officer	Beginning November 2023

Process area	Key Training Identified	Frequency	Department	Suggested Lead	Proposed Timeline
	2) Understanding of grant conditions by individuals who are going to spend				
2) AP: Purchase to Pay	1) Educate the P2P team and specific individuals within the department who are raising invoices without a PO, not adhering to defined process, conduct training, seek acceptance and agreement on the policy compliance.	Monthly	P2P department	P2P process owner	Beginning September 2023
3) Reporting: Record to Report	Revenue Journals Targeted training resulting from monitoring of compliance exercise (see Appx 6.5 – 3.2) Capital Journals Finance Improvement Team developed focused training for teams prior to commencing capital projects. Expected to go live online early October.	Revenue Journals As of when need identified. Capital Journals Prior to creation of project code.	Revenue Journals All Service Areas. Capital Journals All Service Areas.	Revenue Journals TBC by NCC. Capital Journals Technical Finance Lead (Capital)	Revenue Journals TBC by NCC. Capital Journals Oct – Dec (all staff), then ongoing as per need.
4) Goods Receipting	5) Educate transaction/ Commercial/Technical Finance team with regards to mandatory PO attachment for all accruals 6) Train team to perform a PO to GRN reconciliation to validate the year-end Accrual journal raised (Yearly) 7) Train FBPs to utilise the PowerBI dashboard for long standing POs review	Monthly	Technical/ Commercial Finance	Technical Finance Lead	Beginning September 2023
5) Procurement Process	1) Train NCC staff on the revised procurement exemptions process, including lead times and any escalation process agreed for non-compliance		All service areas involved in procuring services	Head of Procurement	September 2023
6) Services: Recharges	1) Train NCC staff on the revised recharges policy		Finance initially, other service areas if identified	Technical Finance team	September 2023
7) HR and Expense Processes	1) Train Timekeepers and bank staff on the appropriate use of OTL timesheets		All service areas	HR team manager	September 2023
8) System Reporting	1)For each report identified through System Reporting, ensure key owners for each report understand the functionalities available to them and how they are to be utilised to remediate control weaknesses	Per identified report	All service areas	Senior Systems Analyst	September 2023
9) Segregation of certain financial activities	1)Provide and explain revised licensing guidance and recharges policy to relevant NCC staff	Ad-Hoc	Licensing Team, Finance Team	Finance Business Partners	October 2023

Process area	Key Training Identified	Frequency	Department	Suggested Lead	Proposed Timeline
	2)Train licensing accounting staff regarding changes in license cost centres/ GL codes				
10) Systems Access	1)Train System Reporting team to perform the monthly control related to review of temporary approval delegations on Oracle > 60 days	Monthly	Finance, System Reporting	Senior Systems Analyst	September 2023

6.7   EY Deliverable Summary

Process areas	Output
1) AR: Grant Receive to Record	1A. Best Practice Guidelines - Grant Registers
	1B. Guidance Document - Lifecycle of Grant
	1C. Guidance Document - Grant Champion Role
2) AP: Purchase to Pay	2A. Policy Document - Exception Lists
	2B. Revised P2P Process Map
	2C. Guidance Document - No PO No Pay
3) Reporting: Record to Report	3A. Guidance Document - Revised Journal Narratives
	3B. Control Memo – Results of Journal Sample Exercise
	3C. Guidance Document - Monitoring of Journal Compliance
	3D. Control Memo - Capital Journals Sign-out
4) Goods Receipting	4A. Control Memo - Accruals Input and Approval
	4B. Control Memo - Addendum to Accruals Policy
5) Procurement Process	5A. Control Memo - Contract spend reviews (>90% & >100%)
	5B. Policy document - Exemption request
	5C. Control memo - AP Dashboard control and testing results
6) Services: Recharges	6A. Control memo - Updates to Council wide Recharges Policy
	6B. Control memo - Results of Recharge sample testing Against New Policy
7) HR and Expense Processes	7A. Control memo - Results of Timesheet Sample Testing
8) System Reporting	8A. Guidance document - Control Reports Across Process Areas (Exception / Broach of Controls Report)
	8B. New Report - License start/ renewal dates
9) Segregation of certain financial activities	9A - Guidance Document - Licensing Best Practice and Approach
10) Systems Access	10A - Control Memo - Oracle Approval Delegations Mandatory End Date
	10B&C - Control Memo - Temporary Approval Delegations Monthly Review

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