

# Controls Remediation Plan Next Steps; Establishing Grip

**PRIVATE AND CONFIDENTIAL**

Nottingham City Council

April 2023

Nottingham - Proud to host the 'Love Parks' Conference 2016  
Explore your local park!

**EY**  
Building a better  
working world

## EY Controls Remediation Plan - Identified Process and Control Issues

The Financial Controls Review identified key processes across the six financial areas in scope as having control failures. It is as yet undetermined how prevalent these issues are across the entirety of NCC and its group structure. Ten specific process and control issues are identified and warrant urgent intervention, with proposed activities to establish grip presented on page 4.

Ref.	Process Area and Description	Control Weaknesses In Process Execution	Control Weaknesses in Detective or Preventative Control
1	<b>AR: Grant Receive to Record</b> <i>From when a grant is issued to the organisation, recorded and the grant reclaim process.</i>	<ul style="list-style-type: none"> <li>Lack of training on grant conditions, poor understanding in many services of grant restriction.</li> </ul>	<ul style="list-style-type: none"> <li>Approval of grant submissions and expenditure without sufficient underlying evidence.</li> </ul>
2	<b>AP: Purchase to Pay</b> <i>Agreeing a contract with a supplier, receiving an invoice, and then settling the invoice.</i>	<ul style="list-style-type: none"> <li>Frequent lack of underlying evidence for invoice approvals</li> <li>Multiple invoices charged through single transaction invoices where grand total mismatch with transaction value.</li> <li>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).</li> </ul>	<ul style="list-style-type: none"> <li>Some transactions approved that supersede financial thresholds as per authority matrix; and violate cost centre restrictions as per authority matrix.</li> <li>Examples of Purchase orders that are issued post invoice issuance.</li> </ul>
3	<b>Reporting: Record to Report</b> <i>How transactions are recorded on the system and subsequently reported.</i>	<ul style="list-style-type: none"> <li>Narration of journals often incomplete and opaque on the purpose of the expenses, inhibiting audit and user insight.</li> <li>Council is unable to separate out the cost of processing an initial license application from those costs associated with the on-going administration.</li> </ul>	<ul style="list-style-type: none"> <li>No preventative controls on automated journals; processed without approval if not reviewed within 48 hours.</li> <li>Lack of any process to govern funds transfer between project components (sub-projects) as there is no review mechanism while authorising the journal.</li> </ul>
4	<b>Procurement Process</b> <i>From issuing an invitation to tender, contracting through to setup and payment of suppliers.</i>	<ul style="list-style-type: none"> <li>Reconciliations between the Contract Register Total Contract Value and Supplier spend not undertaken.</li> <li>Ineffective controls to inhibit the raising of orders retrospectively.</li> </ul>	<ul style="list-style-type: none"> <li>Lack of proper documentation where transactions are exempt from NCC defined policy procedures i.e. transaction is exempt form procurement procedures.</li> </ul>
5	<b>System Reporting</b> <i>Thresholds and Flags</i>	<ul style="list-style-type: none"> <li>Few overarching monitoring control or control breach reports.</li> <li>Year-end processes inconsistent: cannot adjust life span (prospectively) for licenses based on historical results / performance to reconcile surplus or deficit in future years.</li> </ul>	<ul style="list-style-type: none"> <li>Lack of mechanism to ensure that license fees are broadly cost neutral in budgetary terms.</li> <li>Lack of mechanism to track surplus or deficit generated by certain licenses over the license life.</li> </ul>

## EY Controls Remediation Plan - Identified Process and Control Issues (cont.)

Ref.	Process Area and Description	Control Weaknesses In Process Execution	Control Weaknesses in Detective or Preventative Control
6	<b>Services: Recharges</b> <i>Corporate recharging policy and reconciliation</i>	<ul style="list-style-type: none"> <li>Council has no refresh rate for the Recharges Policy and many recharges based on a model in excess of five years old.</li> <li>Council has no process for reciprocated recharges against corporate services.</li> <li>Recharges are undertaken against budget in some instances, devaluing the effectiveness of the recharge process.</li> </ul>	<ul style="list-style-type: none"> <li>Recharges frequently transacted without a review or reconciliation to cost drivers.</li> </ul>
7	<b>HR and Expense Processes</b> <i>Approving and recording staff expense charging</i>	<ul style="list-style-type: none"> <li>Lack of transparency in charging staff salaries where staff are drawn from NCC pooled resources.</li> <li>Lack of transparency and documentation to book HR expenses where staff are providing services to multiple cost centres.</li> </ul>	<ul style="list-style-type: none"> <li>Staff salaries are charged in general cost centre and subsequently transferred to different licenses with out any approval process and review of appropriate supporting documents i.e. timesheets or any other suitable time tracking arrangement.</li> </ul>
8	<b>Segregation of certain financial activities</b> <i>Ring Fenced Accounts</i>	<ul style="list-style-type: none"> <li>Key financial arrangements requiring formal ring-fencing due to statutory obligations or grant conditions lacking formal segregation and ring-fencing within financial management approach.</li> </ul>	<ul style="list-style-type: none"> <li>Limited means of controlling expenditure in line with service specific obligations.</li> </ul>
9	<b>Goods Receipting</b> <i>Accruing for goods receipted</i>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Preventative controls insufficient for material items that are allowing for accruals to be booked without appropriate evidence.</li> </ul>
10	<b>Systems Access</b> <i>Temporary authorisation and subsequent revocation</i>	<ul style="list-style-type: none"> <li>Identified weakness in granting and monitoring systems access with particular respect to the granting of temporary access with limited protocol and approval documentation.</li> </ul>	<ul style="list-style-type: none"> <li>System not flagging where access is maintained outside of authorised approvals hindering the robustness of the delegated authority matrix.</li> </ul>

## EY Controls Remediation Plan - Next Steps; Phase 1: Establishing Grip

A number of urgent activities are proposed to mitigate the identified risks determined due to NCC's weakened control environment. These activities would ensure alignment with NCC's Finance Improvement Plan and would seek to establish required financial grip.

Proposed Activities	Next Steps	Indicative Timescale
Attend to controls weaknesses according to risk and available for immediate resolution	<ol style="list-style-type: none"> <li>1. Categorise the full list of identified control failures and categorise into those that can be immediately fixed, versus those requiring more fundamental process or control transformation.</li> <li>2. Change policy / execute control / define new required report for those with immediate resolution.</li> <li>3. Structure longer-term failures to develop risks and controls workplan and align to NCC Finance Improvement Plan.</li> </ol>	Weeks 1 - 2
Undertake an NCC Group control health-check review	<ol style="list-style-type: none"> <li>1. Against each key identified control issue, undertake an health-check review across NCC and its group structure to determine organisation wide prevalence.</li> <li>2. Flag material areas of concern and risk to management.</li> <li>3. Consider additional AUP analysis for areas where the control environment is observed to be significantly weak.</li> <li>4. Further report any findings to align with NCC Finance Improvement Plan</li> </ol>	Weeks 3 - 4
Develop a Risks and Controls Workplan	<ol style="list-style-type: none"> <li>1. Risk and Controls workplan to detail how to implement the necessary controls, capability and monitoring interventions needed to strengthen environment,</li> <li>2. Identifying delivery leads within and / or external to the Council.</li> <li>3. Setup workplan governance and reporting steps.</li> </ol>	Week 5
Validate existing or create new process maps	<ol style="list-style-type: none"> <li>1. Capture, or define where they do not exist, process maps for each area.</li> <li>2. Identify where control failures occurred, and evaluate processes, preventative and detective controls that should have been in place.</li> <li>3. Develop new controls in conjunction with key NCC officers</li> </ol>	Week 6
Execute interim controls against key risk areas	<ol style="list-style-type: none"> <li>1. Implement temporary and interim controls to provide adequate process robustness and allow for effective financial stewardship of key financial activities.</li> <li>2. Report back to management any incidences of resistance that are hindering interim control implementation.</li> <li>3. Establish a monitoring process to review effectiveness of interim measures and refine where necessary.</li> </ol>	Week 2 - 8 <i>(noting this exercise would commence immediately after Step 1 focusing on those areas deemed 'high risk').</i>
Establish Financial Processes Whistleblowing protocol	<ol style="list-style-type: none"> <li>1. Adopt a whistleblowing mechanism that provides an anonymous route to raise concerns of financial process not being followed or impropriety.</li> <li>2. Communicate this across NCC and focus engagement on improving culture of compliance.</li> </ol>	Week 9
Concluding Report on 'Establishing Grip' Phase	<ol style="list-style-type: none"> <li>1. Develop a concluding report on measures implemented to establish grip (along with any further identified risks) and feed into plans for 'Phase 2: Improving Capability'.</li> </ol>	Week 10



EY | Assurance | Tax | Transactions | Advisory

#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

#### Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2016 Ernst & Young LLP. Published in the UK.  
All Rights Reserved.

[ey.com](http://ey.com)

#### DISCLAIMER

**This document has been prepared by EY. The information and opinions contained in this document are derived from public and private sources which we believe to be reliable and accurate but which, without further investigation, cannot be warranted as to their accuracy, completeness or correctness. This document is intended to provide only a general outline of the subjects covered. In particular any appraisal of options contained in this document is preliminary and is for discussion purposes only. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.**