



Committee and Date

Audit Committee

7 December 2012

10.00 am

Item

6

Public

Update on the actions to be taken following the audits of the Shropshire Hills Discovery Centre, 2011-12

Responsible Officer Michael Turner

e-mail: Michael.turner@shropshire.gov.uk Tel: 01694 781307

1. Summary

This report describes the progress being made in response to audit reviews carried out at the Shropshire Hills Discovery Centre (SHDC), part of the Visitor Economy Service, between May and August 2011 and in April 2012. The resulting final reports, which related to a routine establishment visit and additional work on the administration of the payroll, were issued in November 2011 and August 2012 respectively.

During a time of significant change at the SHDC, new systems and processes have been developed to address the most significant of the issues raised with a planned approach to on-going resolution work having also been established.

2. Recommendations

The Audit Committee are asked to consider and endorse, with appropriate comment, the continued positive progress being made by SHDC management and staff in response to the results of the two audit reports.

REPORT

3. Risk Assessment and Opportunities Appraisal

The main risks to the Council of not actioning the recommendations included in the audits are financial. In overview, the existing procedures, if not updated through the implementing of the audit recommendations, could raise questions of accountability and transparency that would leave the business open to accusations of poor financial and asset management at best, and dishonesty at worst. In terms of the payroll review, the key risk, if not addressed, is that the systems are not robust enough to give assurance that payments to staff are accurate.

The results of the audits do give the opportunity to use existing systems, used elsewhere in the Visitor Economy Service, which have received positive audit feedback (under testing), as a platform from which to develop new processes for SHDC.

4. Financial Implications

The cost for developing and implementing new financial processes and guidelines has and will be met from existing operational budgets.

5. Background

Between the time of the first audit visit, in May 2011 and the delivery of the final report following the April 2012 visit, the management of the SHDC has gone through significant change.

During 2011, when the audit visit took place, there was an Acting Manager covering maternity leave. Subsequently the Manager resigned and the Acting Manager took up the post, full time.

A reorganisation of the Visitor Economy Service Management Team saw the then Manager of Acton Scott Historic Working Farm assume line management responsibility for the SHDC Manager post, in early July 2012, while also overseeing the strategic planning for the future operation of the SHDC.

In August 2012 the SHDC Manager left the Council, following which the line manager assumed responsibility for SHDC operation before appointing a new SHDC Manager, in September 2012.

The level of change to the management of the SHDC could not have been anticipated and has meant that progress in addressing the recommendations has been slower than would normally be expected.

The nature of the business at SHDC is complicated by virtue of the number of services, events, activities and other offers that it provides. In addressing the recommendations of the audits, reference has been made to similar, equally complex, businesses within the Visitor Economy Service, where operating models have already been reviewed by the Audit Service and were considered robust. While progress has been made with the implementation of the audit recommendations, the current management team have prioritised the payroll weaknesses over others.

5.1 Payroll Audit Review

There were a number of common themes identified through recommendations which were summarised by the Audit Service into groups. From the August 2012 report, these have been prioritised further and new processes have been developed, or are under development.

The headline issues were:-

- Employment of casual workers;
- Timesheet completion and authorisation;
- Rotas;
- Payment of bank holiday working;
- Storage of sensitive information;
- Preparation and processing of payroll;
- Allocation of payroll costs to appropriate budgets.
- Multiple post-holdings;
- Annual Leave entitlements and records

The current progress position on the twenty-five recommendations made in the report (of which twenty-four were rated “significant” is detailed in the table at 5.3 below.

5.2 Establishment Audit Review

Progress on the Establishment Audit has been made, with the current management team having timetabled a number of milestones through to the end of the financial year to address those items still awaiting completion. Again, prioritisation of the items rated “significant” over those of a lower rating has taken place.

The current progress position on the sixty-six recommendations made in the report (of which nine were rated “significant”) is detailed in the table at 5.3 below.

While progress on this review in the early part of 2012 had been limited, the current management team have moved matters forward and have timetabled a plan for resolution of the outstanding items.

5.3 Table of progress

	Payroll	Establishment
Implemented	2	17
Partially Implemented	0	3
Superseded	2	6
Outstanding	21 (8)*	40^

*Of the recommendations with the status “Outstanding”, thirteen have had significant progress made on them. Internal Audit have recognised that the SHDC management team have made substantial inroads on new processes being introduced. However, these require full audit testing, which can only occur once a critical mass of transactions have been run through the systems. The eight remaining items are diarised for actioning, according to available resource and priority, through to the end of the financial year.

^This figure includes three recommendations rated “significant” that are currently under review. Of the remainder, eight recommendations rated as “Best Practice” have been excluded from the timetable referred to at 5.2, with the balance being prioritised according to significance of impact.

5.4 Forward Plan

Among a number of challenges at SHDC that have been taken on by the current management team, the resolution of the recommendations from both audit reports is considered high priority. The SHDC management team has developed a forward plan for process development which is considered to be realistic and well prioritised. This has been shared with Audit Services who have time allocated in their audit plan to perform testing later in the year on the controls introduced by management.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Cabinet Member (Portfolio Holder)
Keith Barrow, Leader of the Council and Brian Williams, Chairman of the Audit Committee, Mike Owen, Portfolio Holder for Economic Growth and Prosperity
Local Member
Lee Chapman
David Evans
Appendices
None