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Update on Shared Services; Payroll and other key financial systems

Responsible Officer   Neil Langford
e-mail: Neil.langford@shropshire.gov.uk   Tel: 01743 258621

1. Summary

This report provides an update on progress with the Shared Services Stabilisation and Enablement project that has been in operation since May 2013. The aim of this project is to address 'Fundamental' and 'Significant' recommendations that emerged from 19 Internal Audit reports completed during 2012/13.

Good progress has been made in addressing Audit recommendations with 79% of recommendations now completed (including all of the Fundamental issues).

2. Recommendations

Note progress made in addressing Internal Audit recommendations and developing opportunities for service improvement since May 2013.

REPORT

3. Risk Assessment and Opportunities Appraisal

The Shared Services stabilisation project aims to address 122 Significant and Fundamental risks identified by Audit Services in 2012/13 including the Council's ability to make payments on time, accurately and to the appropriate persons and companies as well as reducing the risk of error, waste, fraud and corruption.

4. Financial Implications

Sustainable cost reduction is a key consideration of the Enablement opportunities element of this project. 29 of 48 opportunities are expected to reduce cost/deliver savings. In addition, staff numbers are reducing from around 174 FTE in April 2013 to an expected final position of around 117 FTE by Spring 2014. Some short term roles have been required to maintain service levels and address the audit recommendations, but savings should be achievable without impacting on service delivery.

5. Background

Shared Services is responsible for core transactional services (Finance, HR and ICT) that support Shropshire Council's day to day operation and future ambitions. For this reason, the activities of Shared Services have, understandably, been subject to close scrutiny by Internal Audit and feature heavily in their inspection and review programme. Over the last 12 months, Shared Services have received 19 Audit Reports including 9 'Limited' and 2 'Unsatisfactory' Audit assurance opinions. Within these reports were 3 fundamental and 119 significant recommendations.

Since May 2013, the Programme Management Office have been supporting Shared Services to both address these Audit recommendations and to identify and deliver a 'Shared Services Enablement Programme' aimed at equipping the service to become a commercial quality business that meets the needs of its customers and is high performing and high volume. The three key goals for this project are:-

- Improving customer satisfaction

- Maximising revenue flows

- Sustainably reducing costs

48 enablement opportunities have been identified. Resources have been allocated to investigate these opportunities in more detail with a view to delivering the 3 programme goals described above. Where relevant, the outstanding Audit recommendations have been incorporated into these opportunities.

To ensure continuity of service during this period of change and to lead on delivery of Audit recommendations and improvements, interim managers for ICT, Finance and HR were seconded from late June. Weekly meetings of this management team ensures a coordinated direction of travel. These roles and the regular meetings have been instrumental in delivering the progress made to date (as described below).

6. Progress May to November 2013

Overall, whilst continuing to provide a good level of 'business as usual' service to both internal and external customers, 96 (79%) of the 122 significant or fundamental audit recommendations have now been addressed. See Appendix A for further breakdown of the 96 recommendations addressed.

The 'Unsatisfactory' assurance opinions relating to Payroll and use of iSupport for HR forms processing have been subject to separate updates to Audit Committee during 2013. Progress has now been made in both areas with 8 out the 10 'Significant' recommendations in Payroll addressed and all of the 19 'Fundamental' and 'Significant' iSupport recommendations completed. All three of the 'Fundamental' recommendations (one relating to Income collection and two relating to iSupport) have also now been addressed.

During September, Internal Audit carried out a health check of progress on the implementation of the agreed management controls of the key systems. Whilst recognising there is still work to do, these follow ups showed an upward Direction of Travel in Shared Services:-

System/Service	Overall Direction of Travel
Purchase Ledger	Improving
Sales Ledger	Positive
Income	Positive
Payroll	Improving

This progress has been achieved despite Shared Services staffing levels falling from around174 FTE in April to around 139 FTE in November 2013 following restructures, departures and voluntary redundancies. As processes are made even more efficient staff levels are expected to fall still further to around 117 FTE by Spring 2014. Short term filling of some specialist roles has been required to maintain service levels and assist with the implementation of the recommendations raised in this report.

Wherever possible, written procedures are being refreshed and time is being built in prior to staff departures to allow handover of duties and reduce the impact of loss of knowledge.

Progress made with audit recommendations relating to Payroll has been good with eight recommendations addressed ensuring that payroll documents are appropriately authorised, that sensitive and personal information is managed appropriately and recovery methods and transfer leaver's processes are in place and effective.

The team is now working on service redesign which incorporates a number of system developments, for Starters, Leavers and Changes processes. The project team is well established and are working towards the agreed project plan implementation. The development will give the Council an electronic solution to a number of the remaining 'Significant' concerns raised in the audit.

In terms of the remaining 26 unaddressed recommendations, the reason for them being outstanding falls, broadly, into the following six categories:-

Status	Number of recommendations
Improvement plans in place and agreed with Audit	7
Management decision taken to tolerate risk (Audit informed)	6
Solution in test/rollout	4
Policy/Contract amendment required	2
Database cleansing required	6
Team restructure underway	1
TOTAL	26

Further details of these outstanding recommendations are available on request.

Work continues to address these outstanding items with many of the improvement plans and solutions expected to be completed before the end of the year. Where the decision has been taken to tolerate risk and not implement recommendations, in most cases, a medium to long term ICT solution is being developed to address these recommendations in a different way. Internal Audit will be closely involved as the alternative solutions are developed, but in the meantime this risk will be closely monitored by management.

7. Conclusions & Next Steps

As described above, good progress has been made in improving the operational stability and efficiency of Shared Services in an environment of more challenging budgets. Progress will continue into 2014 with delivery of improvements to meet remaining Audit recommendations and to progress enablement opportunities, but these activities will need to be considered in the context of a changing business environment for the Council.

On 13th November, Shropshire Council's 2014/17 Business Plan & Financial Strategy was presented to Cabinet. This plan outlines the Council's Priorities and challenges for the next three years. As this plan is implemented, the requirements from Shared Services (as a key service supporting the Council's operations) will need to change to support this.

During this period of change, interim managers will need to continue to provide continuity and to support business as usual. It will also be important to engage with Internal Audit regarding these developments and opportunities. Ambitions vary from opportunity to opportunity, but a common thread will be increased use of automated/electronic solutions and reducing use of manual and paper driven processes. Audit's input and assurance around these changes, working with managers to identify controls to manage emerging and retained risks will be key to successful delivery of Council and Shared Services ambitions going forward.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) 21/06/13 – Update on Recommendations Following Audit of Shared Services Payroll 2012/13
Cabinet Member (Portfolio Holder) Mike Owen and Brian Williams Chairman of Audit Committee
Local Member
Appendices Appendix A - Recommendations/Risks Addressed by Shared Services Stabilisation & Enablement Project, May to November 2013

Recommendations/Risks Addressed by Shared Services Stabilisation & Enablement Project, May to November 2013.

Business Area	'Fundamental' and 'Significant' Recommendations/Risks Addressed
Database Access Control	6 recommendations addressed to ensure appropriate, authorised access and security of databases.
Privileged User Security	6 recommendations addressed, ensuring authorised and appropriate access, change control and appropriate legal disclosure of personal information.
SAMIS IT Applications	6 recommendations addressed to ensure appropriate access and change control procedures as well as appropriate sharing of terms and conditions with suppliers
Housing IT System	8 recommendations addressed to ensure compliance with Corporate Information Security Policy, appropriate use of generic user accounts, access and changes, integrity checks, exception reporting and segregation of duties.
Confirm IT Application	3 recommendations addressed to ensure appropriate access, segregation of duties and compliance with Corporate Information Security Policy and Financial Rules.
Civica Icon Application	3 recommendations addressed ensuring appropriate changes to systems, correct transactions and to avoid data corruption.
My View	3 recommendations addressed to minimise the risk of any fraudulent claims, to ensure that HMRC requirements are complied with and in the event of system failure, that continuity arrangements are in place and transactional accountability exists and is evidenced.
Theatre Severn Wireless Internet Service	9 recommendations addressed to ensure the security of personal information, compliance with the Corporate Information Security Policy, GovConnect Code of Connection and the Data Protection Act 1998.
Microsoft Lync	7 recommendations addressed including tracking Lync transactions, ensuring authorised access to user accounts, and protecting sensitive data/information in line with the Data Protection Act 1998.

Payroll	8 recommendations addressed to ensure that payroll documents are appropriately authorised, that sensitive and personal information is managed appropriately and recovery methods and transfer leaver's processes are in place and effective.
Income	3 recommendations addressed to ensure the integrity of the Council's income system especially that income is received, banked and reconciled in a timely manner.
Purchase Ledger	6 recommendations addressed to ensure authorised amendments, creation of supplier bank details and review of outstanding transaction reports as well as reducing the risk of duplicate payments and appropriate management of personal data and non-compliance with the Data Protection Act 1998.
Resourcelink Application	1 recommendation addressed improving password controls.
Sales Ledger	5 recommendations addressed to implement improved procedures to ensure that invoices are sent to tenants, cash is received and allocated in a timely manner and action is taken in relation to recovery of outstanding debts.
iSupport – HR Forms Processing	19 recommendations addressed to ensure compliance with corporate standards and the Data Protection Act, to ensure appropriate and/or authorised access and changes to the system.
Pensions Axis Application	3 recommendations addressed to ensure successful back up arrangements, appropriate processing of records and payments as well as authorised access to sensitive personal information.